

**Copper Mountain
Community College District**

**County of San Bernardino
Joshua Tree, California**

**REPORT ON AUDIT
June 30, 2015**

Copper Mountain Community College District

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June 30, 2015

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INDEPENDENT AUDITORS' REPORT

The Board of Trustees
Copper Mountain Community College District
Joshua Tree, California

Report on the Financial Statements

We have audited the accompanying financial statements of the business-type activities and the fiduciary activities of Copper Mountain Community College District (the "District") as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States and the State Controller's Minimum Audit Requirements and Reporting Guidelines for California Special Districts. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the District's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the business-type activities and the fiduciary activities of Copper Mountain Community College District, as of June 30, 2015, and the changes in net position and, where applicable, cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the required supplementary information, such as the management's discussion and analysis on pages 4 through 11, the Schedule of Other Postemployment Benefits (OPEB) Funding Progress on page 39, the Schedule of the District's Proportionate Share of the Net Pension Liability on page 40, and the Schedule of the District's Pension Contributions on page 41 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The supplementary information listed in the Table of Contents, including the Schedule of Expenditures of Federal Awards, as required by U.S. Office of Management and Budget (OMB) Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The supplementary information, including the Schedule of Expenditures of Federal Awards, is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The Board of Trustees
Copper Mountain Community College District

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report, dated December 22, 2015, on our consideration of Copper Mountain Community College District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

Messner & Hadley, LLP.

Messner & Hadley, LLP
Certified Public Accountants

Victorville, California
December 22, 2015

Copper Mountain Community College District

Management's Discussion and Analysis
June 30, 2015

This section of Copper Mountain Community College District's (the "District") annual financial report presents our discussion and analysis of the District's financial performance during the fiscal year ended June 30, 2015. The discussion has been prepared by management and should be read in conjunction with the financial statements and notes thereto which follow this section.

Copper Mountain Community College District was formally established in 1999 and serves the County of San Bernardino. Students in our college may complete the freshman and sophomore years of a baccalaureate degree and transfer to upper division study at a university or complete a certificated vocational program and move directly into the workforce.

The following discussion and analysis provides an overview of the financial position and activities of the District's Financial Report for the fiscal year ended June 30, 2015. The previous year's financial information is provided for comparison. The annual report consists of three basic financial statements that provide information on the District as a whole: the *Statement of Net Position*, the *Statement of Revenues, Expenses and Changes in Net Position*, and the *Statement of Cash Flows*.

Financial Highlights

This section provides condensed information for each of the three basic financial statements, as well as illustrative charts and tables.

During 2014-2015, the District experienced a decrease in enrollment of 3.45%. It is imperative that the District meet its growth targets because future funding is determined by the District's ability to grow to its target levels.

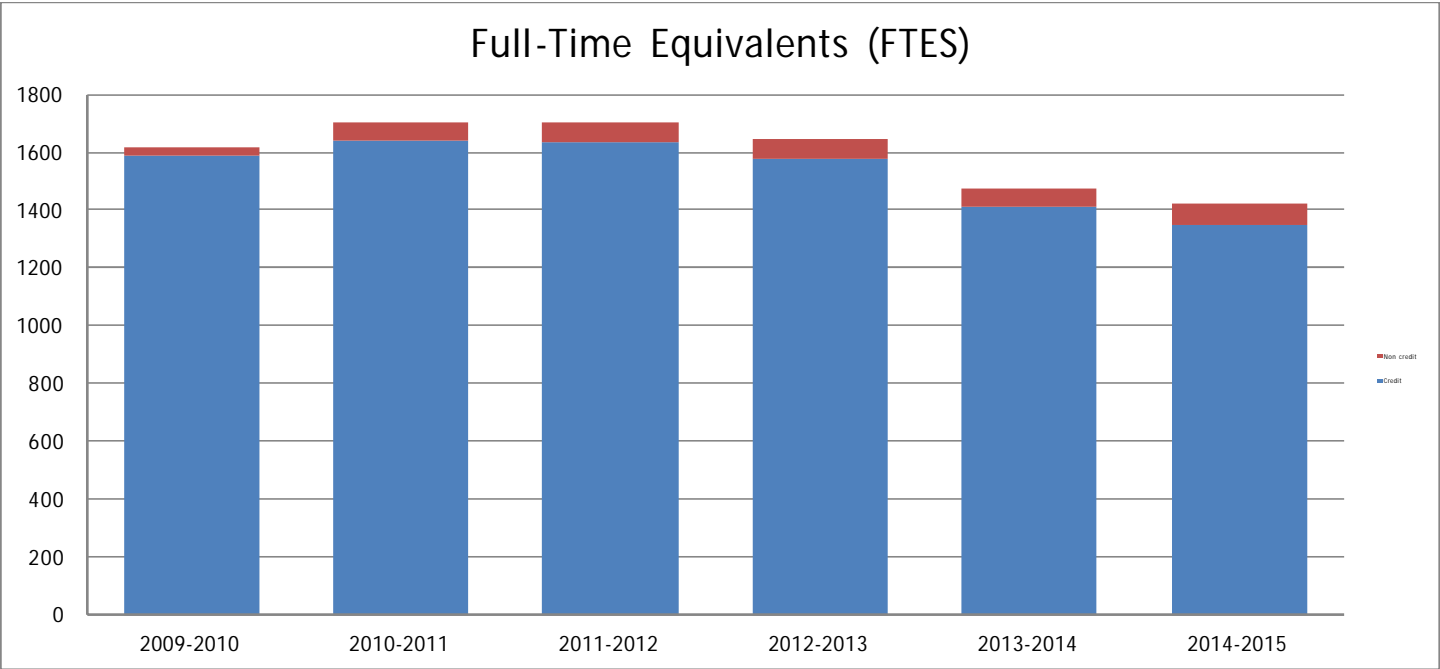
The District's primary funding is based upon an apportionment allocation made by the State of California Community Colleges Chancellor's Office. The primary basis for the Chancellor's apportionment calculation is the District's reporting of Full-Time Equivalent Students (FTES). Below is the District's six-year trend for FTES:

| <u>Fiscal Year</u> | <u>Credit FTES</u> | <u>Non-Credit FTES</u> |
|--------------------|--------------------|------------------------|
| 2009-2010 | 1,589 | 29 |
| 2010-2011 | 1,641 | 60 |
| 2011-2012 | 1,632 | 10 |
| 2012-2013 | 1,576 | 70 |
| 2013-2014 | 1,411 | 64 |
| 2014-2015 | 1,351 | 73 |

Copper Mountain Community College District

Management’s Discussion and Analysis
June 30, 2015

TREND OF FULL-TIME STUDENTS AS REPORTED ON THE
CALIFORNIA COMMUNITY COLLEGES SIMULATED RECALCULATION



During fiscal year 2014-2015, total full-time equivalents students (FTES) decreased approximately 4.25% for credit courses and increased 14.06% for non-credit courses.

Copper Mountain Community College District

Management's Discussion and Analysis
June 30, 2015

Statement of Net Position

The Statement of Net Position presents the assets, liabilities and net position of the District as of the end of the fiscal year and is prepared using the accrual basis of accounting, which is similar to the accounting basis used by most private sector organizations.

The difference between total assets and total liabilities is one indicator of the current financial condition of the District; the change in net position is an indicator of whether the overall financial condition has improved or worsened during the year. Assets and liabilities are generally measured using current values. One notable exception is capital assets, which are stated at historical cost less accumulated depreciation.

The Net Position is divided into three major categories. The first category, net investment in capital assets, provides the equity amount in property, plant and equipment owned by the District. The second category is expendable restricted net assets. These net assets are available for expenditure by the District, but must be spent for purposes as determined by external entities, legislation and/or donors that have placed time or purpose restrictions on the use of the assets. The final category is unrestricted and is available to the District for any lawful purpose of the District.

As illustrated in the following table, the District's net position decreased from last year by \$8,770,894 for the fiscal year ending June 30, 2015, primarily due to the implementation of GASB No. 68.

| | 2015 | 2014 | Net Change |
|---|----------------------|----------------------|-----------------------|
| ASSETS | | | |
| Current assets | \$ 3,828,419 | \$ 5,676,945 | \$ (1,848,526) |
| Non-current assets | 42,634,327 | 42,884,878 | (250,551) |
| Total Assets | <u>46,462,746</u> | <u>48,561,823</u> | <u>(2,099,077)</u> |
| DEFERRED OUTFLOWS OF RESOURCES | | | |
| Deferred loss on refunding | 802,643 | 869,529 | (66,886) |
| Deferred outflows - pensions only | <u>823,611</u> | <u>-</u> | <u>823,611</u> |
| Total Deferred Outflows of Resources | 1,626,254 | 869,529 | 756,725 |
| LIABILITIES | | | |
| Current liabilities | 2,275,637 | 3,824,889 | (1,549,252) |
| Non-current liabilities | <u>26,779,099</u> | <u>20,356,347</u> | <u>6,422,752</u> |
| Total Liabilities | <u>29,054,736</u> | <u>24,181,236</u> | <u>4,873,500</u> |
| DEFERRED INFLOWS OF RESOURCES | | | |
| Deferred inflows - pensions only | 2,555,042 | - | 2,555,042 |
| Net Position | | | |
| Invested in capital assets, net of related debt | 23,289,067 | 23,132,732 | 156,335 |
| Restricted | 1,328,825 | 1,444,001 | (115,176) |
| Unrestricted | <u>(8,138,670)</u> | <u>673,383</u> | <u>(8,812,053)</u> |
| Total Net Position | <u>\$ 16,479,222</u> | <u>\$ 25,250,116</u> | <u>\$ (8,770,894)</u> |

Copper Mountain Community College District

Management's Discussion and Analysis
June 30, 2015

- Nearly 100 percent of the cash balance and investments is cash deposited in the San Bernardino County Treasury Pool. All funds are invested in accordance with Board Policy, which emphasizes prudence, safety, liquidity, and the return on investment. The Statement of Cash Flows contained within these financial statements provides greater detail regarding the sources and uses of cash.
- The majority of the accounts receivable balance, in the amount of \$686,756, is from Federal and State sources for grant and entitlement programs.
- Capital assets had a net balance of \$42,634,327. Depreciation expense of \$617,944 was recognized during 2014-2015.
- Accounts payable in the amount of \$721,994 are amounts due as of the fiscal year-end for goods and services received as of June 30, 2015. The District also recorded \$1,074,633 of unearned revenues.
- The District currently has \$29,595,897 in outstanding long-term debt. Of this amount, \$479,010 is due in the coming year. Additional information regarding long term debt is included in the Debt Administration section of this discussion and analysis.
- The District's current investment in capital assets, net of related debt, is \$23,289,067.

Statement of Revenues, Expenses, and Changes in Net Position

The change in total net position presented on the Statement of Net Position is based on the activity presented in the Statement of Revenues, Expenses and Changes in Net Position. The purpose of this statement is to present the operating and non-operating revenues earned (whether received or not) by the District, the operating and non-operating expenses incurred (whether paid or not) by the District, and any other revenues, expenses, gains and/or losses earned or incurred by the District.

Operating activities are those in which a direct payment or exchange is made for the receipt of specified goods or services. As an example, tuition fees paid by the student are considered an exchange for instructional services. This activity is considered an operating activity. The receipt of State apportionments and property taxes do not include this exchange relationship between payment and receipt of goods or services. These revenues and related expenses are classified as non-operating activities.

Copper Mountain Community College District

Management's Discussion and Analysis
June 30, 2015

Condensed statement of revenues, expenses and changes in net position for the years ended June 30, 2015 and 2014:

| | 2015 | 2014 | Net Change |
|----------------------------------|----------------------|----------------------|-----------------------|
| Revenues | | | |
| Operating | | | |
| Tuition and fees | \$ 282,762 | \$ 363,779 | \$ (81,017) |
| Grant revenue | 8,192,653 | 6,035,464 | 2,157,189 |
| Total operating revenue | 8,475,415 | 6,399,243 | 2,076,172 |
| Non-operating | | | |
| Apportionment and property taxes | 12,729,401 | 12,725,840 | 3,561 |
| Capital grants | 359,124 | 29,104 | 330,020 |
| Other | 13,017 | 17,257 | (4,240) |
| Total non-operating revenue | 13,101,542 | 12,772,201 | 329,341 |
| Total Revenues | 21,576,957 | 19,171,444 | 2,405,513 |
| Expenses | | | |
| Operating | | | |
| Salaries and benefits | 12,840,577 | 11,540,829 | (1,299,748) |
| Payments to students | 5,349,139 | 4,325,587 | (1,023,552) |
| Other | 3,211,655 | 2,869,423 | (342,232) |
| Total operating expenses | 21,401,371 | 18,735,839 | (2,665,532) |
| Non-operating | 706,341 | 662,332 | (44,009) |
| Total Expenses | 22,107,712 | 19,398,171 | (2,709,541) |
| Change in Net Position | (530,755) | (226,727) | (304,028) |
| Net Position - Beginning | 25,250,116 | 25,585,306 | (335,190) |
| Adjustments for restatements | (8,240,139) | (108,463) | (8,131,676) |
| Net Position - Ending | <u>\$ 16,479,222</u> | <u>\$ 25,250,116</u> | <u>\$ (8,770,894)</u> |

The schedule above has been prepared from the Statement of Revenues, Expenses, and Changes in Net Position. State general apportionment, while budgeted for operations, is considered non-operating revenues, according to the Governmental Accounting Standards Board's (GASB) prescribed reporting format. Grants and contracts revenue includes student financial aid, as well as specific federal and state grants received for programs serving the students of the District.

Total Operating Revenues reflects a decrease in tuition and fees of \$81,017 and an increase in grant revenue of \$2,157,189 from the previous year. Grants and contracts increase and decrease when grant period ends or when new grants are obtained by the District.

Generally, operating revenues are earned for providing goods and services to the various customers and constituencies of the District. Operating expenses are those expenses incurred to acquire or produce the goods and services provided in return for operating revenues and to fulfill the mission of the District.

Copper Mountain Community College District

Management's Discussion and Analysis
June 30, 2015

Non-operating revenues are those received or pledged for which goods and services are not provided; for example, state appropriations are non-operating because they are provided by the legislature to the District without the legislature directly receiving commensurate goods and services for those revenues.

- Tuition and fees are generated by the resident, non-resident and foreign fees paid by students attending the District, including fees such as parking fees, community services classes and other related fees.
- Non-capital grants and contracts are primarily those received from Federal and State sources and used in instructional programs.
- State apportionment is generated based on the workload measures reported to the State by the District.
- Local property taxes are received through the Auditor-Controller's Office for San Bernardino County. The amount received for property taxes is deducted from the total State general apportionment amount calculated by the State for the District.

Total operating expenses increased by \$2,665,532. The increase is comprised of three parts: 1) salaries and benefits increased by \$1,299,748; 2) supplies, maintenance, and other operating expense increased by \$342,232; and 3) payments to students increased by \$1,023,552.

Operating expenses are 60% related to personnel costs. The balance of operating expenses is for supplies, materials, other operating expenses, financial aid, utilities and depreciation expense.

Statement of Cash Flows

The Statement of Cash Flows provides information about cash receipts and cash payments during the fiscal year. The statement also helps user assess the District's ability to generate positive cash flows, meet obligations as they come due, and the need for external financing.

The Statement of Cash Flows is divided into five parts. The first part reflects operating cash flows and shows the net cash used by the operating activities of the District. The second part details cash received for non-operating, non-investing, and non-capital financing purposes. The third part shows cash flows from capital and related financing activities. This part deals with the cash used for the acquisition and construction of capital and related items. The fourth part provides information from investing activities and the amount of interest received. The last section reconciles the net cash used by operating activities to the operating loss reflected on the Statement of Revenues, Expenses and Changes in Net Position.

Copper Mountain Community College District

Management's Discussion and Analysis
June 30, 2015

A summary of the Statement of Cash Flows for the years ended June 30, 2015 and 2014 is shown below.

| | 2015 | 2014 | Net Change |
|--|---------------------|---------------------|---------------------|
| Cash used in operating activities | \$ (13,604,009) | \$ (14,070,804) | \$ 466,795 |
| Cash provided by non-capital financing | 14,135,743 | 14,392,301 | (256,558) |
| Cash used by capital financing | (974,765) | (2,460,426) | 1,485,661 |
| Cash provided by investing activities | 13,751 | 17,418 | (3,667) |
| Total cash used | (429,280) | (2,121,511) | 1,692,231 |
| Cash - Beginning | 3,446,853 | 5,568,364 | (2,121,511) |
| Cash - Ending | <u>\$ 3,017,573</u> | <u>\$ 3,446,853</u> | <u>\$ (429,280)</u> |

The primary operating activities contributing to cash flow are student tuition and fees and Federal, State, and Local grants and contracts, while the primary operating activity using cash flow throughout the year is the payment of salaries and benefits.

Even though State apportionment and property taxes are the primary source of non-capital related revenue (and cash flow), GASB accounting standards require that these sources of revenue be shown as non-operating revenue, since they come from general resources of the State and not from the primary users of the college's programs and services (students). The District depends upon this funding as the primary source of funds to continue the current level of operations.

The net cash used by the District for operating activities was \$13,604,009; cash flow from non-capital financing activities decreased by \$256,568; and net cash used by capital financing, consisting primarily of the purchase of capital assets (buildings, building improvements, and equipment) and interest paid on capital debt totaled \$974,755.

The District's Fiduciary Responsibility

The District is the trustee, or fiduciary, for certain amounts held on behalf of students, clubs and donors for student loans and scholarships. The District's fiduciary activities are reported in separate Statements of Fiduciary Net Assets and Changes in Fiduciary Net Assets. These activities are excluded from the District's other financial statements because these assets cannot be used to finance operations. The District is responsible for ensuring that the assets reported in these funds are used for their intended purposes.

Capital Assets

At June 30, 2015 the District had total capital assets of \$49.3 million consisting of land, buildings and building improvements, construction in progress, vehicles, data processing equipment and other office equipment. These assets have accumulated depreciation of \$6.7 million.

Capital additions consist primarily of replacement, renovation and new construction of facilities, as well as significant investments in equipment, including information technology. Current year additions were funded with a combination of special categorical, unrestricted general fund dollars, and capital outlay appropriations.

Copper Mountain Community College District

Management's Discussion and Analysis
June 30, 2015

A comparison of capital assets, net of depreciation, is summarized below:

| | 2015 | 2014 | Net Change |
|---|----------------------|----------------------|---------------------|
| Land, infrastructure and construction in progress | \$ 15,833,485 | \$ 15,753,485 | \$ 80,000 |
| Buildings and equipment | 33,451,620 | 33,164,226 | 287,394 |
| Accumulated depreciation | (6,650,779) | (6,032,833) | (617,946) |
| Total Capital Assets | \$ 42,634,326 | \$ 42,884,878 | \$ (250,552) |

Debt

At June 30, 2015, the District had \$19.3 million in bonded debt related to the following bond issues: 2004 Series B and C Bonds, and 2012 Refunding Bonds. The bonds were issued in prior years to fund various projects related to the construction, purchase and renovation of instructional and student facilities. The District also had approximately \$1.1 million in post-employment benefits costs and accrued vacation pay. Finally, the District has approximately \$9.1 million in pension liabilities. See the notes to the financial statements for additional information.

| | 2015 | 2014 | Net Change |
|------------------------------------|----------------------|----------------------|-----------------------|
| Bonds payable | \$ 19,345,261 | \$ 19,757,461 | \$ (412,200) |
| OPEB Liability | 998,962 | 943,906 | 55,056 |
| Compensated absences | 106,572 | 112,711 | (6,139) |
| Net pension liability | 6,807,314 | 8,995,618 | (2,188,304) |
| Total Long-Term Liabilities | \$ 27,258,109 | \$ 29,809,696 | \$ (2,551,587) |

Economic Outlook and Factors Affecting Next Year's Budget

The January budget proposal reflects a recovering economy and continued support for one-time funds for ongoing purposes. For community colleges, the Governor's 2016-17 proposal provides over \$400 million in new ongoing resources and approximately \$380 million in one-time funds to spend on deferred maintenance, equipment, and utility reduction projects. Although the unemployment rate has fallen below 6 percent for the first time since 2007, the Governor advises extreme caution despite improved fiscal conditions. Most economic recoveries last five years before a downturn and we have reached the 7-year mark. As a result, Governor Brown emphasizes that the State's primary goal should be to fully fund the Rainy Day Fund.

The Governor's budget reflects a commitment to education while still being prudent with respect to an uncertainty regarding future revenues with the expiration of Proposition 30. Copper Mountain College practiced the same prudence by holding aside reserves for the STRS and PERS contribution increase in the 2015-16 budget.

Contacting the District's Financial Management

This financial report is designed to provide our citizens, taxpayers, and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have any questions about this report or need additional financial information, contact the District's Office of Fiscal Services, Copper Mountain College, P.O. Box 1398, Joshua Tree, California 92252-0879.

BASIC FINANCIAL STATEMENTS

Copper Mountain Community College District

Statement of Net Position
June 30, 2015

ASSETS

Current assets:

| | |
|---------------------------|----------------|
| Cash and cash equivalents | \$ 3,017,573 |
| Accounts receivable | 686,756 |
| Other assets | <u>124,090</u> |

Total current assets 3,828,419

Non-current assets

| | |
|-------------------|-------------------|
| Fixed assets, net | <u>42,634,327</u> |
|-------------------|-------------------|

Total non-current assets 42,634,327

TOTAL ASSETS

46,462,746

DEFERRED OUTFLOWS OF RESOURCES

| | |
|--|------------------|
| Deferred loss on refunding | 802,643 |
| Deferred outflows of resources - pensions only | <u>823,611</u> |
| Total deferred outflows of resources | <u>1,626,254</u> |

LIABILITIES

Current liabilities:

| | |
|-----------------------------------|----------------|
| Accounts payable | 721,994 |
| Unearned revenue | 1,074,633 |
| Current portion of long-term debt | <u>479,010</u> |

Total current liabilities 2,275,637

Non-current liabilities

26,779,099

TOTAL LIABILITIES

29,054,736

DEFERRED INLOWS OF RESOURCES

| | |
|---|------------------|
| Deferred inflows of resources - pensions only | <u>2,555,042</u> |
|---|------------------|

NET POSITION

| | |
|----------------------------|--------------------|
| Invested in capital assets | 23,289,067 |
| Restricted | 1,328,825 |
| Unrestricted | <u>(8,138,670)</u> |

TOTAL NET POSITION

\$ 16,479,222

See the accompanying notes to the financial statements.

Copper Mountain Community College District

Statement of Revenues, Expenses, and Changes in Net Position For the Fiscal Year Ended June 30, 2015

OPERATING REVENUES

| | |
|--|------------------|
| Tuition and fees | \$ 571,178 |
| Less: Scholarship discounts and allowances | <u>(288,416)</u> |
| Net tuition and fees | 282,762 |
| Grants and contracts: | |
| Federal | 5,493,033 |
| State | 1,968,743 |
| Local | <u>730,877</u> |
| Total Operating Revenues | 8,475,415 |

OPERATING EXPENSES

| | |
|---|-------------------|
| Salaries | 9,230,707 |
| Benefits | 3,609,870 |
| Payments to students | 5,349,139 |
| Supplies, materials, and other expenses | 2,202,133 |
| Other Operating Expenses | 391,578 |
| Depreciation | <u>617,944</u> |
| Total Operating Expenses | <u>21,401,371</u> |

OPERATING INCOME/(LOSS) (12,925,956)

NON-OPERATING REVENUES/(EXPENSES)

| | |
|---|-------------------|
| State apportionments, non-capital | 9,552,106 |
| Local property taxes | 2,470,994 |
| State taxes and other revenues | 706,301 |
| Investment income - non-capital | 7,851 |
| Investment income - capital | 5,166 |
| Interest expense - capital asset-related debt | <u>(706,341)</u> |
| Total non-operating revenues | <u>12,036,077</u> |

Income Before Other Revenues, Expenses, Gains, or Losses (889,879)

OTHER REVENUES, EXPENSES, GAINS, OR LOSSES

| | |
|--------------------------------------|----------------|
| Grants and contracts - capital | |
| Grants and gifts | <u>359,124</u> |
| Total grants and contracts - capital | <u>359,124</u> |

CHANGE IN NET POSITION (530,755)

NET POSITION

| | |
|--|-----------------------------|
| Net Position - Beginning, as previously reported | 25,250,116 |
| Adjustments for restatements | <u>(8,240,139)</u> |
| Net Position - Beginning, as restated | <u>17,009,977</u> |
| Net Position - Ending | <u><u>\$ 16,479,222</u></u> |

See the accompanying notes to the financial statements.

Copper Mountain Community College District

Statement of Cash Flows

For the Fiscal Year Ended June 30, 2015

Cash Flows from Operating Activities

| | |
|---|--------------|
| Tuition and fees | \$ 324,187 |
| Federal grants and contracts | 5,451,886 |
| State grants and contracts | 1,166,742 |
| Local grants and contracts | 684,795 |
| Payments to suppliers | (3,378,269) |
| Payments to/on-behalf of employees | (12,477,350) |
| Student loans/grants and other Program expenses | (5,376,000) |
| Net cash provided by (used in) operating activities | (13,604,009) |

Cash Flows from Non-capital Financing Activities

| | |
|---|------------|
| State apportionments and receipts | 10,839,582 |
| State taxes and other revenues | 827,421 |
| Property taxes | 2,471,844 |
| State taxes and other revenues | (3,104) |
| Net cash provided by (used in) non-capital financing activities | 14,135,743 |

Cash Flows from Capital Financing Activities

| | |
|--|-----------|
| Purchases of capital assets | (367,393) |
| Interest paid on capital debt | (521,665) |
| Principal paid on capital debt | (530,000) |
| Local property taxes and other revenues for capital purposes | 444,293 |
| Net cash provided by (used in) capital financing activities | (974,765) |

Cash Flows from Investing Activities

| | |
|---|--------|
| Interest on investments | 13,751 |
| Net cash provided by (used in) investing activities | 13,751 |

NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS (429,280)

CASH AND CASH EQUIVALENTS

| | |
|-------------------|--------------|
| Beginning of year | 3,446,853 |
| End of year | \$ 3,017,573 |

See the accompanying notes to the financial statements.

Copper Mountain Community College District

Statement of Cash Flows, Continued
For the Fiscal Year Ended June 30, 2015

Reconciliation of operating loss to cash used in operating activities

| | |
|---|--------------------------------------|
| Operating Profit or (loss) | \$ (12,925,956) |
| Adjustments to reconcile net operating loss to net cash used in operating activities: | |
| Depreciation and amortization | 617,944 |
| Pension expense | (2,188,304) |
| (Increase) decrease in accounts and notes receivable | (104,396) |
| (Increase) decrease in prepaids | 31,406 |
| (Increase) decrease in deferred outflows | (68,132) |
| Increase (decrease) in accounts payable | (800,274) |
| Increase (decrease) in unearned revenues | (770,256) |
| Increase (decrease) in other liabilities | 48,917 |
| Increase (decrease) in other liabilities | <u>2,555,042</u> |
| Net cash used in operating activities | <u><u>\$ (13,604,009)</u></u> |

See the accompanying notes to the financial statements.

Copper Mountain Community College District

Statements of Fiduciary Net Position
June 30, 2015

| | ASB Trust Fund | Scholarship and Loan Trust Fund |
|-------------------------------------|---------------------------|--|
| ASSETS | | |
| Cash and cash equivalents | \$ 30,005 | \$ 33,558 |
| TOTAL ASSETS | <u>\$ 30,005</u> | <u>\$ 33,558</u> |
| LIABILITIES | | |
| Due to student groups | \$ 30,005 | \$ - |
| TOTAL LIABILITIES | <u>30,005</u> | <u>-</u> |
| NET POSITION | | |
| Restricted | - | 33,558 |
| TOTAL NET POSITION | <u>-</u> | <u>33,558</u> |
| LIABILITIES AND NET POSITION | <u>\$ 30,005</u> | <u>\$ 33,558</u> |

See the accompanying notes to the financial statements.

Copper Mountain Community College District

Statements of Changes in Fiduciary Net Position
For the Fiscal Year Ended June 30, 2015

| | ASB Trust Fund | Scholarship and Loan Trust Fund |
|---------------------------------|---------------------------|--|
| ADDITIONS | | |
| Student activities | \$ 30,934 | \$ 72,085 |
| Total Additions | 30,934 | 72,085 |
| DEDUCTIONS | | |
| Student activities | 23,934 | 69,891 |
| CHANGE IN NET POSITION | 7,000 | 2,194 |
| Net Position - Beginning | 23,005 | 31,364 |
| Net Position - Ending | <u>\$ 30,005</u> | <u>\$ 33,558</u> |

See the accompanying notes to the financial statements.

Copper Mountain Community College District

Notes to Financial Statements
June 30, 2015

NOTE 1 – ORGANIZATION

Copper Mountain Community College District (the “District”) is a political subdivision of the State of California and provides educational services to the local residents in the County of San Bernardino, State of California. The District consists of one community college located in Joshua Tree, California.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Financial Reporting Entity

While the District is a political subdivision of the State, it is not a component unit of the State in accordance with the provisions of Governmental Accounting Standards Board (“GASB”) Codification Section (Cod. Sec.) 2100.101. The District is classified as a state instrumentality under Internal Revenue Code Section 115.

The decision to include potential component units in the reporting entity was made by applying the criteria set forth in generally accepted accounting principles (GAAP) and GASB Cod. Sec. 2100.101 as amended by GASB Cod. Sec. 2100.138. The three criteria for requiring a legally separate, tax-exempt organization to be presented as a component unit are the “direct benefit” criterion, the “entitlement/ability to access” criterion, and the “significance” criterion. As defined by accounting principles generally accepted in the United States of America and established by the Governmental Accounting Standards Board, the financial reporting entity consists of the primary government, the District.

Basis of Presentation and Accounting

For financial reporting purposes, the District is considered a special-purpose government engaged only in business-type activities as defined by GASB. Under this model, the District’s financial statements provide a comprehensive entity-wide perspective of the District’s financial position and activities. Accordingly, the District’s financial statements have been presented using the economic resources measurement focus and the accrual basis of accounting. Under the accrual basis, revenues are recognized when earned and expenses are recorded when the obligation has been incurred. All significant intra-agency transactions have been eliminated.

Fiduciary funds for which the District acts only as an agent or trust are not included in the business-type activities of the District. These funds are reported in the Statement of Fiduciary Net Position and Statement of Changes in Fiduciary Net Position at the fund financial statement level.

Cash and Cash Equivalents

The District’s cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition. Cash equivalents also include unrestricted cash with county treasury balances for purposes of the Statement of Cash Flows. Restricted cash and cash equivalents represent balances restricted by external sources such as grants and contracts or specifically restricted for the repayment of capital debt.

Investments

The District records its investment in San Bernardino County Treasury at fair value. Changes in fair value are reported as revenue in the Statement of Revenues, Expenses and Changes in Net Position. The fair value of investments, at June 30, 2015, approximated their carrying value.

Copper Mountain Community College District

Notes to Financial Statements
June 30, 2015

Restricted Assets

Restricted assets arise when restrictions on their use change the normal understanding of the availability of the asset. Such constraints are either imposed by creditors, contributors, grantors, or laws of other governments or imposed by enabling legislation. Restricted assets are classified on the Statement of Net Position because their use is limited by enabling legislation, applicable bond covenants, and other laws of other governments. Also, resources have been set aside to satisfy certain requirements of the bonded debt issuance and to fund certain capital asset projects.

Accounts Receivable

Accounts receivable consists primarily of amounts due from Federal, State and/or local governments, or private sources, in connection with reimbursement of allowable expenditures made pursuant to the District's grants and contracts. Accounts receivable are recorded net of estimated uncollectible amounts. The District recognized for budgetary and financial reporting purposes any amount of State appropriations deferred from the current fiscal year and appropriated from the subsequent fiscal year for payment of current year costs as a receivable in the current year.

Prepaid Expenses

Prepaid expenses represent payments made to vendors and others for services that will benefit periods beyond June 30.

Inventories

Inventories consist primarily of supplies held for resale to the students and faculty of the college. Inventories are stated at cost, utilizing the weighted average method. The cost is recorded as an expense as the inventory is consumed.

Capital Assets and Depreciation

Capital assets are recorded at cost at the date of acquisition. Donated capital assets are recorded at their estimated fair value at the date of donation. For equipment, the District's capitalization policy includes all items with a unit cost of \$5,000 or more and an estimated useful life of greater than one year. Buildings, as well as renovations to buildings, infrastructures, and land improvements, that significantly increase the value or extend the useful life of the structure are capitalized.

Depreciation of capital assets is computed and recorded by the straight-line method over the following estimated useful life:

| <u>Asset Class</u> | <u>Estimated Useful Life</u> |
|---------------------------|-------------------------------------|
| Buildings | 50 |
| Land improvements | 10 |
| Equipment and vehicles | 8 |
| Technology equipment | 3 |

Copper Mountain Community College District

Notes to Financial Statements
June 30, 2015

Deferred Outflows / Inflows of Resources

In addition to assets, the Statement of Net Position will sometimes include a separate section for deferred outflows of resources. This separate financial statement element – deferred outflows of resources – represents a consumption of net position that applies to a future period and, as such, will not be recognized as an outflow of resources (expense/expenditures) until then. The District only has one item that qualifies for reporting in this category, which is the deferred loss on refunding reported in the statement of net position. A deferred loss on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shortened life of the refunded or refunding debt.

In addition to liabilities, the Statement of Net Position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element – deferred inflows of resources – represents an acquisition of net position that applies to a future period(s) and will not be recognized as an inflow of resources (revenue) until that time. The District has one item that qualifies for reporting in this category. The item is related to pensions reported in the District-wide Statement of Net Position. This represents the effect of the net change in the District's proportion of the collective net pension liability and difference during the measurement periods between the District's contributions and its proportionate share of total contributions to the pension systems not included in pension expense.

Accrued Liabilities and Long-term Obligations

All payables, accrued liabilities, and long-term obligations are reported in the entity-wide financial statements.

Compensated Absences

Accumulated unpaid employee vacation benefits are recognized as a liability of the District as compensated absences in the Statement of Net Position. The District has accrued a liability for the amounts attributable to load banking hours within accrued liabilities. Load banking hours consist of hours worked by instructors in excess of full-time load which they may carryover for future paid time off.

Sick leave benefits are accumulated without limit for each employee. Accumulated employee sick leave benefits are not recognized as a liability of the District. The District's policy is to record sick leave as an operating expense in the period taken since such benefits do not vest nor is payment probable; however, unused sick leave is added to the creditable service period for calculation of retirement benefits when the employee retires and within the constraints of the appropriate retirement systems.

Unearned Revenue

Tuition and fees received prior to June 30 for classes and programs offered in the subsequent fiscal year are reported as unearned revenue. Cash received for Federal and State special projects and programs is recognized as revenue to the extent that qualified expenditures have been incurred. Unearned revenue is recorded to the extent that cash received on specific projects and programs exceeds qualified expenditures.

Noncurrent Liabilities

Noncurrent liabilities include bonds and notes payable, compensated absences, and OPEB obligations with maturities greater than one year.

Copper Mountain Community College District

Notes to Financial Statements
June 30, 2015

Pensions

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions and pension expense, information about the fiduciary net position of the Public Employees Retirement Plan (PERS) and the State Teachers Retirement Plan (STRS) and additions to/deductions from PERS and STRS' fiduciary net position have been determined on the same basis as they are reported by PERS and STRS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with benefit terms. Investments are reported at fair value.

Net Position

GASB Statements No. 34 and No. 35 report equity as "Net Position" and represents the difference between assets and liabilities. The net position is classified according to imposed restrictions or availability of assets for satisfaction of District obligations according to the following categories:

Invested in capital assets, net of related debt – This represents the District's total investment in capital assets, net of associated outstanding debt obligations related to those capital assets. To the extent debt has been incurred but not yet expended for capital assets, such amounts are not included as a component of invested in capital assets, net of related debt.

Restricted – Net position is reported as restricted when there are limitations imposed on their use, either through enabling legislation adopted by the District, or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. The District first applies restricted resources when an expense is incurred for purposes for which both restricted and unrestricted resources are available.

Unrestricted – Net position that is not subject to externally imposed constraints. Unrestricted net position may be designated for specific purposes by action of the Board of Trustees or may otherwise be limited by contractual agreements with outside parties.

When both restricted and unrestricted resources are available for use, it is the District's practice to use restricted resources first and the unrestricted resources when they are needed.

State Apportionments

Certain current year apportionments from the State are based on various financial and statistical information of the previous year. Any prior year corrections due to a recalculation will be recorded in the year computed by the State.

Property Taxes

Secured property taxes attach as an enforceable lien on property as of March 1. Taxes are payable in two installments on November 15 and March 15. Unsecured property taxes are payable in one installment on or before August 31. The District reports real and personal property tax revenues in the same manner in which the County auditor records and reports actual property tax receipts to the Department of Education. This is generally on a cash basis. A receivable has been accrued in these financial statements to reflect the amount of property taxes receivable as of June 30, 2015.

Copper Mountain Community College District

Notes to Financial Statements
June 30, 2015

Board of Governors Grants (BOGG) and Fee Waivers

Student tuition and fee revenues and certain other revenues are reported, net of allowances and fee waivers approved by the Board of Governors through BOGG fee waivers in the statement of revenues, expenses and changes in net position. Scholarship discounts and allowances are the difference between the stated charge for goods, and the goods and services provided by the District and the amount that is paid by students and/or third parties making payments on the students' behalf. To the extent that fee waivers have been used to satisfy tuition and fee charges, the District has recorded a scholarship discount and allowance.

Federal Financial Assistance Program

The District participates in federally funded Pell Grants, SEOG grants, and Federal Work-Study programs, as well as other programs funded by the Federal government. Financial aid to students is reported as other revenue. The amount reported as other revenue represents the portion of aid that was provided to the student in the form of cash. These programs are audited in accordance with the Single Audit Act Amendments of 1996, and the U.S. Office of Management and Budget's revised Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations* and the related *Compliance Supplement*.

On-Behalf Payments

GASB Cod. Sec N50 requires that direct on-behalf payments for benefits and salaries made by one entity to a third party recipient for the employees of another, legally separate entity be recognized as revenue and expenditures by the employer government. The State of California makes direct on-behalf payments for retirement benefits to the State Teachers and Public Employees Retirement Systems on behalf of all Community Colleges in California. However, a fiscal advisory issued by the California Department of Education instructed districts not to record revenue and expenditures for these on-behalf payments. These payments consist of state general fund contributions to CalSTRS.

Classification of Revenues

The District has classified its revenues as either operating or non-operating. Certain significant revenue streams relied upon for operations are recorded as non-operating revenues as defined by GASB Cod. Sec. C05.101, including state appropriations, local property taxes, and investment income. Nearly all of the District's expenses are from exchange transactions. Revenues and expenses are classified to the following criteria:

Operating revenues and expenses – Operating revenues and expenses include activities that have the characteristics of exchange transactions, such as: (1) student tuition and fees, net of fee waivers and allowances, (2) sales and services of auxiliary enterprises, and (3) most Federal, State and local grants and contracts and Federal appropriations. All expenses are considered operating expenses except for interest expense on capital asset related debt.

Non-operating revenues and expenses – Non-operating revenues include activities that have the characteristics of nonexchange transactions, such as Pell grants, gifts and contributions, and other revenue sources described in GASB Cod. Sec. C05.101, such as State appropriations and investment income. Interest expense on capital related debt is the only non-operating expense.

Estimates

The preparation of the financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates.

Copper Mountain Community College District

Notes to Financial Statements
June 30, 2015

Interfund Activity

Interfund transfers and interfund receivables and payables are eliminated within the primary government funds during the consolidation process in the entity-wide financial statements.

New Accounting Standards

The District has adopted all current Statements of the Governmental Accounting Standards Board (GASB) that are applicable. At June 30, 2015, the District implemented the following new standards issued by GASB:

- GASB Statement 68, *“Accounting and Financial Reporting for Pensions – an Amendment of GASB Statement No. 27”*, effective for the year ending June 30, 2015.
- GASB Statement 71, *“Pension Transition for Contributions Made Subsequent to the Measurement Date – an Amendment of GASB Statement No. 68”*, effective for the year ending June 30, 2015.

As a result of implementing GASB Statement No. 68, the District has restated the beginning net position in the government wide Statement of Net Position, effectively decreasing net position as of July 1, 2014, by \$8,240,139. The decrease results from recognizing the net pension liability, net of related deferred outflows of resources. The restatement does not include deferred inflows of resources, as this information was not available.

Future Changes in Accounting Standards

GASB has issued Statement 72, *“Fair Value Measurement and Application”*. This Statement addresses accounting and financial reporting issues related to fair value measurements. The definition of *fair value* is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. This Statement provides guidance for determining a fair value measurement for financial reporting purposes. This Statement also provides guidance for applying fair value to certain investments and disclosures related to all fair value measurements. The District is currently studying the statement and plans on adoption if and when required, which will be for the June 30, 2016 financial statements.

GASB has issued Statement 73, *“Accounting and Reporting for Pensions and Related Assets that are Not Within the Scope of GASB 68, and Amendments to Certain Provisions of GASB Statements 67 and 68”*. This Statement establishes requirements for defined benefit pensions that are not within the scope of Statement No. 68, *“Accounting and Financial Reporting for Pensions”*, as well as for the assets accumulated for purposes of providing those pensions. In addition, it establishes requirements for defined contribution pensions that are not within the scope of Statement 68. It also amends certain provisions of Statement No. 67, *“Financial Reporting for Pension Plans”*, and Statement 68 for pension plans and pensions that are within their respective scopes. The District is currently studying the statement and plans on adoption if and when required, which will be for the June 30, 2017 financial statements.

GASB has issued Statement 74, *“Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans”*. The objective of this Statement is to improve the usefulness of information about postemployment benefits other than pensions (other postemployment benefits or OPEB) included in the general purpose external financial reports of state and local governmental OPEB plans for making decisions and assessing accountability. The District is currently studying the statement and plans on adoption if and when required, which will be for the June 30, 2017 financial statements.

Copper Mountain Community College District

Notes to Financial Statements
June 30, 2015

GASB has issued Statement 75, “*Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*”. The primary objective of this Statement is to improve accounting and financial reporting by state and local governments for postemployment benefits other than pensions (other postemployment benefits or OPEB). It also improves information provided by state and local governmental employers about financial support for OPEB that is provided by other entities. The District is currently studying the statement and plans on adoption if and when required, which will be for the June 30, 2018 financial statements.

GASB has issued Statement No. 76, “*The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*”. The objective of this Statement is to identify – in the context of the current governmental financial reporting environment – the hierarchy of generally accepted accounting principles (GAAP). The “GAAP hierarchy” consists of the sources of accounting principles used to prepare financial statements of state and local governmental entities in conformity with GAAP and the framework for selecting those principles. The District is currently studying the statement and plans on adoption if and when required, which will be for the June 30, 2016 financial statements.

GASB has issued Statement No. 77, “*Tax Abatement Disclosures*”. This Statement requires disclosure of tax abatement information about: (1) a reporting government’s own tax abatement agreements and (2) those that are entered into by other governments and that reduce the reporting government’s tax revenues. The District is currently studying the statement and plans on adoption if and when required, which will be for the June 30, 2017 financial statements.

NOTE 3 – DEPOSITS AND INVESTMENTS

Summary of Deposits and Investments

As provided for by the Education Code, Section 41001, a significant portion of the District’s cash balances of most funds is deposited with the San Bernardino County Treasurer for the purpose of increasing interest earnings through County investment activities. The California Government Code requires California banks and savings and loan associations to secure the District’s deposits by pledging government securities as collateral. The market value of pledged securities must equal 110 percent of an agency’s deposits. California law also allows financial institutions to secure an agency’s deposits by pledging first trust deed mortgage notes having a value of 150 percent of an agency’s total deposits and collateral is considered to be held in the name of the District. Substantially all cash held by financial institutions is entirely insured or collateralized.

Deposits and investments, as of June 30, 2015, consist of the following:

| | |
|--------------------------------|---------------------|
| Business-type activities | \$ 3,017,573 |
| Fiduciary funds | 63,563 |
| Total Deposits and Investments | <u>\$ 3,081,136</u> |
| | |
| Cash on hand and in banks | \$ 63,563 |
| Cash in revolving | 10,000 |
| Cash in County Treasury | 3,007,573 |
| Total Deposits and Investments | <u>\$ 3,081,136</u> |

Copper Mountain Community College District

Notes to Financial Statements
June 30, 2015

Policies and Practices

Under provision of the District's investment policy, and in accordance with Section 53601 and 53602 of the California Government Code, the District may invest in the following types of investments: The District is authorized under California Government code to make direct investments in local agency bonds, notes or warrants with the State; U.S. Treasury instruments; registered State warrants or treasury notes; securities of the U.S. Government, or its agencies; bankers acceptances; commercial paper; certificates of deposit placed with commercial banks and/or savings and loan companies; repurchase or reverse repurchase agreements; medium-term corporate notes; shares of beneficial interest issued by diversified management companies, certificates of participation, obligations with first security; and collateralized obligations.

Investment in County Treasury

In accordance with the Budget and Accounting Manual, the District maintains a significant portion of its cash in the San Bernardino County Treasury as part of the common investment pool. These pooled funds are carried at cost which approximates fair value. The fair market value of the District's deposits in this pool, as of June 30, 2015, as provided by the pool sponsor, was \$3,022,489 with an average maturity of 344 days. Interest earned is deposited quarterly into participating funds. Any investment losses are proportionately shared by all funds in the pool.

General Authorizations

Limitations as they relate to interest rate risk, credit risk, and concentration of credit risk are indicated in the schedule below:

| <u>Authorized Investment Type</u> | <u>Maximum Remaining Maturity</u> | <u>Maximum Percentage of Portfolio</u> | <u>Maximum Investment in One Issuer</u> |
|---|---|--|---|
| Local Agency Bonds, Notes, Warrants | 5 years | None | None |
| Registered State Bonds, Notes, Warrants | 5 years | None | None |
| U.S. Treasury Obligations | 5 years | None | None |
| U.S. Agency Securities | 5 years | None | None |
| Banker's Acceptance | 180 days | 40% | 30% |
| Commercial Paper | 270 days | 25% | 10% |
| Negotiable Certificates of Deposit | 5 years | 30% | None |
| Repurchase Agreements | 1 year | None | None |
| Reverse Repurchase Agreements | 92 days | 20% of base | None |
| Medium-Term Corporate Notes | 5 years | 30% | None |
| Mutual Funds | N/A | 20% | 10% |
| Money Market Mutual Funds | N/A | 20% | 10% |
| Mortgage Pass-Through Securities | 5 years | 20% | None |
| County Pooled Investment Funds | N/A | None | None |
| Local Agency Investment Fund (LAIF) | N/A | None | None |
| Joint Powers Authority Pools | N/A | None | None |

Copper Mountain Community College District

Notes to Financial Statements
June 30, 2015

Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. The District does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Credit Risk

Credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. Government Code Sections 16430 and 53601 allow governmental entities to invest surplus moneys in certain eligible securities. The District has no investment policy that would further limit its investment choices.

Custodial Credit Risk

Custodial credit risk is the risk that in the event of a bank failure, the District's deposits may not be returned to it. The District does not have a policy for custodial credit risk, but all public funds are invested in bonds or government backed (collateralized) securities at 110% on the amount of deposit.

Concentration of Credit Risk

Concentration of credit risk is the risk of a loss attributed to the magnitude of a government's investment in a single issuer. The investment policy of the District contains no limitations on the amount that can be invested in any one issuer beyond the amount stipulated by the California Government Code. District investments that are greater than 5 percent of total investments are in either an external investment pool or mutual funds and are therefore exempt.

NOTE 4 – RECEIVABLES

Receivables, at June 30, 2015, consist of the following and are considered collectable in full:

| | <u>2015</u> |
|----------|--------------------------|
| Federal | \$ 123,436 |
| State | 301,999 |
| Local | 259,641 |
| Interest | <u>1,680</u> |
| | <u><u>\$ 686,756</u></u> |

Copper Mountain Community College District

Notes to Financial Statements
June 30, 2015

NOTE 5 – CAPITAL ASSETS

The following provides a summary of changes in capital assets for the year ending June 30, 2015:

| Business-Type Activities | Balance July 01, 2014 | Additions | Deductions | Balance June 30, 2015 |
|--|----------------------------------|---------------------|-------------------|----------------------------------|
| Capital assets not being depreciated: | | | | |
| Land | \$ 264,667 | \$ - | \$ - | \$ 264,667 |
| Construction in progress | 14,184,114 | - | - | 14,184,114 |
| Total capital assets not being depreciated | 14,448,781 | - | - | 14,448,781 |
| Capital assets being depreciated: | | | | |
| Land improvements | 1,304,704 | 80,000 | - | 1,384,704 |
| Buildings and improvements | 29,924,292 | - | - | 29,924,292 |
| Furniture and equipment | 3,239,934 | 287,394 | - | 3,527,328 |
| Total capital assets being depreciated | 34,468,930 | 367,394 | - | 34,836,324 |
| Less accumulated depreciation: | | | | |
| Land improvements | 714,722 | 29,010 | - | 743,732 |
| Buildings and improvements | 3,257,813 | 321,494 | - | 3,579,307 |
| Furniture and equipment | 2,060,298 | 267,441 | - | 2,327,739 |
| Total accumulated depreciation | 6,032,833 | 617,945 | - | 6,650,778 |
| Capital Assets, net | \$ 42,884,878 | \$ (250,551) | \$ - | \$ 42,634,327 |

Depreciation expense for the year was \$617,945.

NOTE 6 – INTERFUND TRANSFERS

Interfund Receivables and Payables (Due To/Due From)

Interfund receivable and payable balances arise from interfund transactions and are recorded by all funds affected in the period in which transactions are executed. Interfund activity, within the governmental funds and fiduciary funds, have been eliminated respectively in the consolidation process of the basic financial statements. Balances owing between the primary government and the fiduciary funds are not eliminated in the consolidation process.

Copper Mountain Community College District

Notes to Financial Statements
June 30, 2015

Interfund Operating Transfers

Operating transfers between funds of the District are used to: (1) move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them; (2) move receipts restricted to debt service from the funds collecting the receipts to the debt service fund as debt service payments become due; and (3) use restricted revenues collected in the General Fund to finance various programs accounted for in other funds in accordance with budgetary authorizations. Operating transfers within the funds of the District have been eliminated in the consolidation process. Transfers between the primary government and the fiduciary funds are not eliminated in the consolidation process.

NOTE 7 – LONG-TERM OBLIGATIONS

Summary

A schedule of changes in long-term debt, for the year ended June 30, 2015, is shown below:

| | Balance June 30, 2014 | Additions | Deductions | Balance June 30, 2015 | Due in One Year | Long-term Portion |
|--------------------------------------|--------------------------|-------------------|---------------------|--------------------------|--------------------|----------------------|
| Governmental Activities | | | | | | |
| General Obligation Bonds - Series B | \$ 80,000 | \$ - | \$ 80,000 | \$ - | \$ - | \$ - |
| General Obligation Bonds - Series C | 4,813,410 | - | 67,731 | 4,745,679 | 104,010 | 4,641,669 |
| General Obligation Bonds - Refunding | 13,245,000 | - | 310,000 | 12,935,000 | 375,000 | 12,560,000 |
| Accreted Interest | 992,596 | 179,252 | 72,269 | 1,099,579 | - | 1,099,579 |
| Premiums | 626,455 | - | 61,452 | 565,003 | - | 565,003 |
| Net pension liability | 8,995,618 | - | 2,188,304 | 6,807,314 | - | 6,807,314 |
| Other Post Employment Benefits | 943,906 | 55,056 | - | 998,962 | - | 998,962 |
| Accumulated vacation | 112,711 | - | 6,139 | 106,572 | - | 106,572 |
| | <u>\$ 29,809,696</u> | <u>\$ 234,308</u> | <u>\$ 2,785,895</u> | <u>\$ 27,258,109</u> | <u>\$ 479,010</u> | <u>\$ 26,779,099</u> |

Beginning balance was restated to reflect implementation of GASB 68

Bonded Debt

The outstanding bonded debt of the District, at June 30, 2015, is:

| Maturity Date | Amount of Original Issue | Outstanding July 1, 2014 | Issued Current Year | Redeemed Current Year | Outstanding June 30, 2015 |
|------------------|-----------------------------|-----------------------------|------------------------|--------------------------|------------------------------|
| 8/1/2031 | \$ 8,120,000 | \$ 80,000 | \$ - | \$ 80,000 | \$ - |
| 8/1/2033 | \$ 4,999,587 | \$ 4,813,410 | \$ - | \$ 67,731 | \$ 4,745,679 |
| 8/1/2031 | \$ 13,510,000 | \$ 13,245,000 | \$ - | \$ 310,000 | \$ 12,935,000 |

Copper Mountain Community College District

Notes to Financial Statements
June 30, 2015

2004 General Obligation Bonds

On November 2, 2004, \$19.7 million in general obligation bonds were authorized by an election held within the District under Proposition 39/Measure C. These bonds were issued in multiple series as general obligations of the District.

2004 Series A Bonded Debt

In July 2005, Series 2004 A general obligation bonds in the amount of \$6,600,000 were sold at a premium. The proceeds from the sale of the bonds were generally used to finance the construction, acquisition, furnishing and equipping of District facilities. Bond issuance and other costs of \$214,135 were incurred in connection with the issuance of the Series 2004 A general obligation bonds. The bonds were partially refunded in December, 2012 and the remaining balance was redeemed in August, 2013.

2004 Series B Bonded Debt

In July 2007, the District issued General Obligation Bonds, Series 2004 B in the amount of \$8,120,000 which were sold at a premium. The proceeds from the sale of the bonds were generally used to finance the construction, acquisition, furnishing and equipping of District facilities. Bonds issuance costs of \$171,121 were incurred in connection with the issuance of the Series 2004 B general obligation bonds. The bonds were partially refunded in December, 2012. The remaining balance was fully redeemed in fiscal 2014-15

2004 Series C Bonded Debt

In April 2008, the District issued General Obligation Bonds, Series 2004 C, in the amount of \$4,999,587 which were sold at a premium. The proceeds from the sale of the bonds were generally used to finance the construction, acquisition, furnishing and equipping of District facilities. Bond issuance costs of \$183,457 were incurred in connection with the issuance of the Series 2004 Series C general obligation bonds.

The annual requirements to amortize the 2004 Series C Bonds are as follows:

| Year | 2004 Series C - Current Interest | | | 2004 Series C - Capital Appreciation | | |
|-----------|----------------------------------|---------------------|---------------------|--------------------------------------|---------------------|---------------------|
| | Principal | Interest | Total | Principal | Interest | Total |
| 2016 | \$ - | \$ 83,500 | \$ 83,500 | \$ 104,010 | \$ 95,990 | \$ 200,000 |
| 2017 | - | 83,500 | 83,500 | 156,449 | 58,551 | 215,000 |
| 2018 | - | 83,500 | 83,500 | - | - | - |
| 2019 | - | 83,500 | 83,500 | - | - | - |
| 2020 | - | 83,500 | 83,500 | 469,692 | 275,308 | 745,000 |
| 2021-2025 | - | 417,500 | 417,500 | 720,245 | 679,775 | 1,400,020 |
| 2026-2030 | - | 417,500 | 417,500 | 629,833 | 955,167 | 1,585,000 |
| 2031-2035 | 2,000,000 | 250,250 | 2,250,250 | 665,451 | 1,364,549 | 2,030,000 |
| | <u>\$ 2,000,000</u> | <u>\$ 1,502,750</u> | <u>\$ 3,502,750</u> | <u>\$ 2,745,680</u> | <u>\$ 3,429,340</u> | <u>\$ 6,175,020</u> |

The bond proceeds may not be used for District employees' salaries or other administration costs. In November, 2004 the Attorney General of California issued an opinion stating that districts may use Proposition 39 bond proceeds to pay the salaries of district employees to the extent they perform administrative oversight work on construction projects authorized by a voter approved bond measure.

Copper Mountain Community College District

Notes to Financial Statements
June 30, 2015

2012 Refunding Bonds

In December 2012, the District issued \$13,510,000 in general obligation bonds to partially refund \$12,955,000 of outstanding 2004 Series A and B general obligation bonds originally issued in the aggregate principal of \$15,000,000. The new bonds bear interest from 2.00% to 5.00% and are due in annual installments ranging from \$265,000 to 1,355,000 through August, 2030. The new issue will reduce debt service payments for the District by \$1,429,692, with an economic gain of \$1,085,484.

The annual requirements to amortize the 2012 Refunding Bonds payable are as follows:

| Year | 2012 Refunding | | |
|-----------|----------------------|---------------------|----------------------|
| | Principal | Interest | Total |
| 2016 | \$ 375,000 | \$ 425,813 | \$ 800,813 |
| 2017 | 415,000 | 411,888 | 826,888 |
| 2018 | 455,000 | 394,488 | 849,488 |
| 2019 | 505,000 | 375,288 | 880,288 |
| 2020 | 560,000 | 353,988 | 913,988 |
| 2021-2025 | 3,690,000 | 1,393,163 | 5,083,163 |
| 2026-2030 | 5,430,000 | 655,838 | 6,085,838 |
| 2031-2035 | 1,505,000 | 27,356 | 1,532,356 |
| Total | <u>\$ 12,935,000</u> | <u>\$ 4,037,822</u> | <u>\$ 16,972,822</u> |

Compensated Absences

Accumulated unpaid employee vacation benefits, as of June 30, 2015, are \$106,572.

Other Postemployment Benefit (OPEB) Obligation

The District implemented GASB Statement No. 45, "*Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*" during the year ended June 30, 2009. The District's annual required contribution, for the year ended June 30, 2015, was \$119,850 and contributions made by the District during the year were \$64,794 which resulted in a net OPEB obligation for 2015 of \$55,056. See Note 8 for additional information regarding the OPEB obligation and the postemployment benefits plan.

NOTE 8 – OTHER POSTEMPLOYMENT BENEFITS

Annual OPEB Cost and Net OPEB Obligation

The District's annual other postemployment benefit (OPEB) cost (expense) is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal costs each year and amortize any unfunded actuarial accrued liabilities (UAAL) or funding excess over a period not to exceed thirty years.

Copper Mountain Community College District

Notes to Financial Statements
June 30, 2015

The following table shows the components of the District's annual OPEB cost for the year, the amount actually contributed to the plan, and changes in the District's net OPEB obligation to the Plan:

| | |
|--|-------------------|
| Annual required contribution | \$ 136,679 |
| Interest on net OPEB obligation | 37,756 |
| Adjustment to annual required contribution | (54,585) |
| Annual OPEB cost (expense) | 119,850 |
| Contributions made | (64,794) |
| Increase in net OPEB obligation | 55,056 |
| Net OPEB obligation, beginning of year | 943,906 |
| Net OPEB obligation, end of year | <u>\$ 998,962</u> |

Trend Information

Trend information for the annual OPEB cost, the percentage of annual OPEB cost contributed to the Plan, and the net OPEB obligation is as follows:

| <u>Year Ended June 30,</u> | <u>Annual Required Contribution</u> | <u>Percentage Contributed</u> | <u>Net OPEB Obligation</u> |
|--------------------------------|---|-----------------------------------|--------------------------------|
| 2013 | \$ 127,295 | 50.59% | \$ 888,809 |
| 2014 | \$ 126,349 | 56.39% | \$ 943,906 |
| 2015 | \$ 125,520 | 54.06% | \$ 998,962 |

Funded Status and Funding Progress

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Actuarial Methods and Assumptions

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and the plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

In the July 1, 2014 actuarial valuation, the entry age normal method was used. The actuarial assumptions included a 4 percent investment rate of return (net of administration expenses), based on the plan being funded in an irrevocable employee benefit trust invested in a long-term fixed income portfolio. Healthcare cost increases were estimated at 4 percent annually. The UAAL is being amortized at a level dollar method. The remaining amortization period, at June 30, 2015, was 24 years. The actuarial value of assets was not determined in this actuarial valuation. At June 30, 2015, the Trust held net assets in the amount of \$0.

Copper Mountain Community College District

Notes to Financial Statements
June 30, 2015

NOTE 9 – EMPLOYEE RETIREMENT SYSTEMS

Qualified employees are covered under multiple-employer contributory retirement plans maintained by agencies of the State of California. Certificated employees may be member of the State Teachers' Retirement System (CalSTRS) and classified employees may be members of the California Public Employees' Retirement System (CalPERS).

CalSTRS

Plan Description

The District contributes to the State Teachers' Retirement System (CalSTRS), a cost-sharing multiple-employer public employee retirement system defined benefit pension plan administered by CalSTRS. The plan provides retirement and disability benefits and survivor benefits to beneficiaries. Benefit provisions are established by State statutes, as legislatively amended, within the State Teachers' Retirement Law. CalSTRS issues a separate comprehensive annual financial report that includes financial statements and required supplementary information. Copies of the CalSTRS annual financial report can be found on the CalSTRS website under Publications at:

<http://www.calstrs.com/member-publications>.

Funding Policy

Active plan members are required to contribute 8.0% of their salary and the District is required to contribute an actuarially determined rate. The actuarial methods and assumptions used for determining the rate are those adopted by CalSTRS Teachers' Retirement Board. The required employer contribution rate for fiscal year 2014-2015 was 8.25% of annual payroll, actuarially determined as an amount that, when combined with employee contributions, is expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the pension plan from the District were \$445,004 for the year ended June 30, 2015.

On June 24, 2015, the Governor of California signed Assembly Bill 1469 which will increase the member contribution to 19.1% over the next seven years.

CalPERS

Plan Description

The District contributes to the School Employer Pool under the California Public Employees' Retirement System (CalPERS), a cost-sharing multiple-employer public employee retirement system defined benefit pension plan administered by CalPERS. The plan provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Benefit provisions are established by State statutes, as legislatively amended, within the Public Employees' Retirement Laws. CalPERS issues a separate comprehensive annual financial report that includes financial statements and required supplementary information. Copies of the CalPERS annual financial report can be found on the CalPERS website under Forms and Publications at:

<https://www.calpers.ca.gov/page/forms-publications>.

Funding Policy

Active plan members are required to contribute 7.0% of their salary and the District is required to contribute an actuarially determined rate. The actuarial methods and assumptions used for determining the rate are those adopted by the CalPERS Board of Administration. The required employer contribution rate for fiscal year 2014-2015 was 11.771% of annual payroll, actuarially determined as an amount that, when combined with employee contributions, is expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the pension plan from the District were \$378,607 for the year ended June 30, 2015.

Copper Mountain Community College District

Notes to Financial Statements
June 30, 2015

Pension Liabilities, Pension Expenses, and Deferred Outflows / Inflows of Resources Related to Pensions

At June 30, 2015, the District reported a liability of \$9,145,102 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2014, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The District's proportion of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plan relative to the projected contributions of all participating school districts, actuarially determined.

Deferred Outflows and Inflows of Resources Related to Pensions

At June 30, 2015, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

| | <u>Deferred Outflows of Resources</u> | <u>Deferred Inflows of Resources</u> |
|--|---|--|
| Net difference between projected and actual earnings on pension plan investments | \$ - | \$ 2,555,042 |
| District contributions subsequent to the measurement date | <u>823,611</u> | <u>-</u> |
| Total | <u>\$ 823,611</u> | <u>\$ 2,555,042</u> |

\$823,611 reported as deferred outflows of resources related to pensions resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

| <u>Year ended June 30:</u> | |
|----------------------------|-----------------------|
| 2016 | \$ (511,008) |
| 2017 | (511,008) |
| 2018 | (511,008) |
| 2019 | (511,008) |
| 2020 | (511,008) |
| Thereafter | <u>-</u> |
| | <u>\$ (2,555,042)</u> |

Copper Mountain Community College District

Notes to Financial Statements
June 30, 2015

Actuarial Assumptions

The total pension liability in the June 30, 2014 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

| | STRS | PERS |
|---------------------------|------------------------------------|------------------------------------|
| Valuation date | June 30, 2013 | June 30, 2013 |
| Measurement date | June 30, 2014 | June 30, 2014 |
| Experience study | July 1, 2006 through June 30, 2010 | July 1, 1997 through June 30, 2011 |
| Actuarial cost method | Entry age normal | Entry age normal |
| Discount rate | 7.6% | 7.5% |
| Investment rate of return | 7.6% | 7.5% |
| Consumer price inflation | 3.0% | 2.8% |
| Wage growth | 3.75% | 3.0% |

Mortality rates were based on the RP-2000 Combined Mortality Table for Males or Females, as appropriate, with adjustments for mortality improvements based on Scale AA.

The actuarial assumptions used in the June 30, 2014 valuation were based on the results of an actuarial experience study for the period July 1, 2011 – June 30, 2013. As a result of the 2013 actuarial experience study, the expectation of life after disability was adjusted in the June 30, 2014 actuarial valuation to more closely reflect actual experience.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighing the expected future real rates of return by the target asset allocation percentage and by adding expected inflation.

The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

| STRS | | | PERS | | |
|---------------------|-------------------|--|-------------------------------|-------------------|--|
| Asset Class | Target Allocation | Long-Term Expected Real Rate of Return | Asset Class | Target Allocation | Long-Term Expected Real Rate of Return |
| Global equity | 47% | 1.30% | Global equity | 47% | 5.71% |
| Private equity | 12% | 5.40% | Global fixed income | 19% | 2.43% |
| Real estate | 15% | 5.60% | Private equity | 12% | 3.36% |
| Inflation sensitive | 5% | 50.00% | Real estate | 11% | 6.95% |
| Fixed income | 20% | 7.40% | Inflation sensitive | 6% | 5.13% |
| Cash/Liquidity | 1% | 2.30% | Infrastructure and forestland | 3% | 5.09% |
| | | 0.00% | Liquidity | 2% | -1.05% |
| Total | 100% | | Total | 100% | |

Copper Mountain Community College District

Notes to Financial Statements
June 30, 2015

Discount Rate

The discount rate used to measure the total pension liability was 7.6 percent for STRS and 7.5 percent for PERS. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the current contribution rate and that contributions from school districts will be made at contractually required rates, actuarially determined. Based on these assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the District's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate

The following present the District's proportionate share of the net pension liability calculated using the discount rate of 7.6 percent and 7.5 percent for STRS and PERS, respectively, as well as what the District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower or 1 percentage point higher than the current rate for each plan:

| STRS | | | |
|--|-----------------------------------|---|-----------------------------------|
| | <u>1% Decrease (6.6%)</u> | <u>Current Discount Rate (7.6%)</u> | <u>1% Increase (8.6%)</u> |
| District's proportionate share of the net pension liability | \$ 5,418,678 | \$ 3,476,323 | \$ 1,856,751 |

| PERS | | | |
|--|-----------------------------------|---|-----------------------------------|
| | <u>1% Decrease (6.5%)</u> | <u>Current Discount Rate (7.5%)</u> | <u>1% Increase (8.5%)</u> |
| District's proportionate share of the net pension liability | \$ 5,843,294 | \$ 3,330,992 | \$ 1,231,683 |

Changes of Assumptions

Changes of assumptions about future economic or demographic factors or other inputs are amortized over a closed period equal to the average of the expected service lives of all employees that are provided pension benefits. During the measurement period, there were no changes of assumption.

Collective Pension Expense

Collective pension expense includes certain current period changes in the collective net pension liability, projected earnings on pension plan investments, and the amortization of deferred outflows of resources and deferred inflows of resources for the current period. The collective pension expense for the period ended June 30, 2015 is \$1,122,218.

Pension Plan Fiduciary Net Position

Detailed information about the pension plan's fiduciary net position is available in the separately issued CalSTRS and CalPERS financial reports.

Copper Mountain Community College District

Notes to Financial Statements
June 30, 2015

Social Security

As established by Federal law, all public sector employees who are not members of their employer's existing retirement systems (CalSTRS or CalPERS) must be covered by social security or an alternative plan. The District has elected to use Social Security as its alternative plan.

On Behalf Payments

The State of California makes contributions to CalSTRS on behalf of the District. These payments consist of State General Fund contributions to CalSTRS of approximately \$234,152 (5.678848% of salaries subject to CalSTRS in 2012-13). Contributions are no longer appropriated in the annual *Budget Act* for the legislatively mandated benefits to CalPERS. Therefore, there is no on behalf contribution rate for CalPERS. Under accounting principles generally accepted in the United States of America, these amounts are to be reported as revenues and expenditures. Accordingly, these amounts have been recorded in these financial statements.

NOTE 10 – FUNCTIONAL EXPENSES

The following schedule details the functional classifications of the operating expenses reported in the statement of revenues, expenses and changes in net position for the year ended June 30, 2015.

| | Salaries and Benefits | Supplies, Materials & Other Expenses & Services | Equipment, Capital Outlay | Other Outgo | Depreciation | Total |
|--|--------------------------|---|---------------------------------|---------------------|-------------------|----------------------|
| Admissions and records | \$ 525,988 | \$ 20,361 | \$ - | \$ - | \$ - | \$ 546,349 |
| Ancillary services | 31,094 | 11,731 | 80,000 | - | - | 122,825 |
| Auxilliary operations | 5,846 | 7,960 | 385 | - | - | 14,191 |
| Community services and economic development | 19,261 | 4,628 | - | - | - | 23,889 |
| General institutional support services | 1,444,528 | 407,918 | 63,587 | - | - | 1,916,033 |
| Instructional activities | 7,382,805 | 157,651 | 115,466 | - | - | 7,655,922 |
| Instructional administration | 476,779 | 19,838 | - | - | - | 496,617 |
| Instructional support services | 518,923 | 248,465 | 48,541 | - | - | 815,929 |
| Physical property and acquisitions | 922,900 | 689,356 | (215,982) | - | - | 1,396,274 |
| Planning, policy making, coordination, general support | 278,795 | 52,008 | - | - | - | 330,803 |
| Plant operations and maintenance | 508,596 | 608,353 | 10,249 | - | - | 1,127,198 |
| Student Aid | - | - | - | 5,309,233 | - | 5,309,233 |
| Student services-counseling and guidance | 261,213 | 27,643 | - | - | - | 288,856 |
| Students services-other | 1,275,981 | 174,534 | 61,019 | 39,906 | - | 1,551,440 |
| Depreciation | - | - | - | - | 617,944 | 617,944 |
| | <u>\$ 13,652,709</u> | <u>\$ 2,430,446</u> | <u>\$ 163,265</u> | <u>\$ 5,349,139</u> | <u>\$ 617,944</u> | <u>\$ 22,213,503</u> |

Copper Mountain Community College District

Notes to Financial Statements
June 30, 2015

NOTE 11 – COMMITMENTS AND CONTINGENCIES

Grants

The District has received State and Federal funds for specific purposes that are subject to review and audit by the grantor agencies. Although such audits could generate expenditure disallowances under terms of the grants, in the opinion of management any required reimbursements will not be material.

Litigation

The District may be involved in various litigations arising from the normal course of business. In the opinion of management and legal counsel, the disposition of all litigation pending is not expected to have a material adverse effect on the overall financial position of the District at June 30, 2015.

Operating Leases

The District leases certain office equipment under operating leases. The leases expire in accordance with contracts through 2020 as follows:

| <u>Year Ended June 30,</u> | <u>Lease Payment</u> |
|--------------------------------|--------------------------|
| 2016 | \$ 66,144 |
| 2017 | 57,764 |
| 2018 | 15,173 |
| 2019 | 8,652 |
| 2020 | 2,136 |
| | <u>\$ 149,869</u> |

NOTE 12 – RISK MANAGEMENT

The District is exposed to various risks of loss related to torts, theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The District's risk management activities are recorded in the General Fund. The District participates in various public entity risk pools (JPAs) for its health and welfare benefits, workers' compensations benefits, and property/liability insurance. Refer to Note 14 for additional information regarding the JPAs.

NOTE 13 – PARTICIPATION IN PUBLIC ENTITY RISK POOLS AND JOINT POWERS AUTHORITIES

The District is a member of the Southern California Schools Employee Benefit Association (SCEBA) for health benefit coverage; the Southern California Schools Risk Management (SCSRM) for general liability, workers compensation and property insurance; and the Schools' Excess Liability Fund (SELF) for excess liability. The District pays an annual premium to each entity for its health, workers' compensation, and property liability coverage. The relationships between the District and the pools are such that they are not component units of the District for financial reporting purposes.

Copper Mountain Community College District

Notes to Financial Statements
June 30, 2015

These entities have budgeting and financial reporting requirements independent of member units and their financial statements are not presented in these financial statements; however, fund transactions between the entities and the District are included in these statements. The District's share of year-end assets, liabilities or fund equity has not been calculated. Audited financial statements are available from the respective entities.

During the year ended June 30, 2015, the District made the following payments to the JPAs:

| <u>Joint Powers Authority</u> | <u>2015 Payments</u> |
|-------------------------------|----------------------|
| SCEBA | \$ 161,213 |
| SCSRM | \$ 54,624 |

NOTE 14 – RESTATEMENT

For the fiscal year ended June 30, 2015, the District implemented GASB No. 68, “*Accounting and Financial Reporting for Pensions – an Amendment of GASB Statement No. 17*” and GASB No. 71, “*Pension Transition for Contributions Made Subsequent to the Measurement Date*”. The implementation of the Statements resulted in the reporting of an asset, deferred outflow of resources, and liability, deferred inflow of resources, related to the District's participation in California Public Employees Retirements System (PERS) and California State Teachers Retirement System (STRS). The District's net position has been restated as follows:

| | |
|---|-----------------------------|
| Beginning net position as previously reported at June 30, 2014 | \$ 25,250,116 |
| Prior period adjustment - implementation of GASB 68: | |
| Net pension liability (measurement date) | (8,995,618) |
| Deferred outflows - District's contributions made during fiscal year 2014 | <u>755,479</u> |
| Total prior period adjustment | <u>(8,240,139)</u> |
| Net position as restated, July 1, 2014 | <u><u>\$ 17,009,977</u></u> |

NOTE 15 – SUBSEQUENT EVENTS

The District has evaluated subsequent events through December 22, 2015, which is the date these financial statements were issued. All subsequent events requiring recognition, as of June 30, 2015, have been incorporated into these financial statements herein.

REQUIRED SUPPLEMENTARY INFORMATION

Copper Mountain Community College District

Schedule of Other Postemployment Benefits (OPEB) Funding Progress
For the Fiscal Year Ended June 30, 2015

Schedule of Funding Progress

| <u>Actuarial Valuation Date</u> | <u>Actuarial Value of Assets (AVA)</u> | <u>Actuarial Accrued Liability (Entry Age Normal Cost Method) (AAL)</u> | <u>Unfunded Actuarial Accrued Liability (UAAL)</u> | <u>Funding Ratio</u> | <u>Covered Payroll</u> | <u>UAAL as a Percentage of Covered Payroll</u> |
|-------------------------------------|--|---|--|--------------------------|----------------------------|--|
| July 1, 2008 | \$ - | \$ 1,252,879 | \$ 1,252,879 | \$ - | \$ 8,631,136 | 14.52% |
| July 1, 2011 | \$ - | \$ 1,768,576 | \$ 1,768,576 | \$ - | \$ 8,315,324 | 21.27% |
| July 1, 2014 | \$ - | \$ 1,723,580 | \$ 1,723,580 | \$ - | \$ 8,695,253 | 19.82% |

The accompanying notes are an integral part of these financial statements.

Copper Mountain Community College District

Schedule of the District's Proportionate Share of the Net Pension Liability
For the Fiscal Year Ended June 30, 2015

| | 2015 | |
|---|--------------|--------------|
| | PERS | STRS |
| District's proportion of the net pension liability (asset) | 0.0324% | 0.0100% |
| District's proportionate share of the net pension liability (asset) | \$ 3,330,992 | \$ 3,476,323 |
| District's covered-employee payroll | \$ 3,528,006 | \$ 5,702,698 |
| District's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll | 94.42% | 60.96% |
| Plan fiduciary net position as a percentage of the total pension liability | 83.38% | 76.52% |

*Fiscal year 2015 was the 1st year of implementation, therefore only one year is shown

The accompanying notes are an integral part of these financial statements.

Copper Mountain Community College District

Schedule of the District's Pension Contributions For the Fiscal Year Ended June 30, 2015

| | 2015 | |
|---|----------------|----------------|
| | PERS | STRS |
| Contractually required contribution | \$ 378,607 | \$ 445,004 |
| Contributions in relation to the contractually required contribution | <u>378,607</u> | <u>445,004</u> |
| Contribution deficiency (excess) | <u>\$ -</u> | <u>\$ -</u> |
| District's covered-employee payroll | \$ 3,528,006 | \$ 5,702,698 |
| Contributions as a percentage of covered-employee payroll | 10.73% | 7.80% |

*Fiscal year 2015 was the 1st year of implementation, therefore only one year is shown

The accompanying notes are an integral part of these financial statements.

SUPPLEMENTARY INFORMATION

Copper Mountain Community College District

History and Organization
June 30, 2015

Copper Mountain Community College District is a public community college operated under the Education Code of the State of California. The College began classes in 1983 as an extension of Desert Community College District. In 1999 the College became a separate District.

The College is a part of a State-wide system of community colleges jointly supported by the State and Local districts and functioning under the advisory supervision of the State Board of Governors. The Board of Trustees is the governing body of Copper Mountain Community College District, acting through the Superintendent / President of the District.

BOARD OF TRUSTEES

| <u>Member</u> | <u>Office</u> | <u>Term Expires</u> |
|----------------------|----------------------|----------------------------|
| Eva Kinsman | President | December 2015 |
| Richard Rogers | Vice-President | December 2016 |
| Greg Gilbert | Clerk | December 2016 |
| Elizabeth Meyer | Trustee | December 2015 |
| Mary Lombardo | Trustee | December 2016 |

ADMINISTRATION

| | |
|------------------|---|
| Jeff A. Cummings | Interim Superintendent/President |
| David Norton | Interim Executive VP - Academic and Student Affairs |
| Meredith Plummer | Chief Business Officer |

See the accompanying note to the supplementary information .

Copper Mountain Community College District

Schedule of Expenditures of Federal Awards
For the Fiscal Year Ended June 30, 2015

| Federal Grantor/Pass-Through Grantor/Program or Cluster | Federal CFDA Number | Pass-Through Entity Identifying Number | Federal Expenditures |
|---|---------------------------|---|----------------------------|
| U.S. DEPARTMENT OF EDUCATION | | | |
| Student Financial Assistance Cluster [1]: | | | |
| Federal Work Study Program (FWS) | 84.033 | | \$ 166,596 |
| Federal Supplement Education Opportunity (FSEOG) | 84.007 | | 115,162 |
| Federal Direct Student Loans (Direct Loans) | 84.268 | | 896,139 |
| Federal Pell Grants | 84.063 | | <u>3,895,432</u> |
| Subtotal Student Financial Assistance Cluster | | | 5,073,329 |
| Title II Grant - Adult Education and Family Literacy Act | 84.002A | | 91,887 |
| CAREER AND TECHNICAL EDUCATION ACT | | | |
| Passed through from the California Community Colleges Chancellor's Office | | | |
| Career & Technical Education - Perkins Grant | 84.048A | 12-C01-072 | <u>108,964</u> |
| Total U.S. Department of Education | | | 5,274,180 |
| U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES | | | |
| Temporary Assistance Needy Family | 93.558 | | <u>29,011</u> |
| | | Total Federal Expenditures | <u><u>\$ 5,303,191</u></u> |

[1] Major Program

See the accompanying note to the supplementary information.

Copper Mountain Community College District

Schedule of Expenditures of State Awards For the Fiscal Year Ended June 30, 2015

| | Program Revenues | | | Total | Total Program Expenditures |
|--|---------------------|------------------------|--------------------|---------------------|----------------------------------|
| | Cash Received | Accounts Receivable | Unearned Income | | |
| Adult Education | \$ 165,722 | \$ 27,164 | \$ 48,580 | \$ 144,306 | \$ 144,306 |
| Basic Skills 11/12 | 90,000 | - | - | 90,000 | 90,000 |
| Basic Skills 10/11 | 9,971 | - | - | 9,971 | 9,971 |
| Basic Skills 14/15 | 90,000 | - | 74,570 | 15,430 | 15,430 |
| California Early Childhood Mentor | 3,610 | - | 160 | 3,450 | 3,450 |
| CalWorks | 126,215 | - | - | 126,215 | 126,215 |
| CDT - Child Development Training | 4,209 | - | 1,093 | 3,116 | 3,116 |
| Clean Energy | 96,482 | - | - | 96,482 | 96,482 |
| CTE Enhancement | 28,615 | 42,923 | 31,960 | 39,578 | 39,578 |
| CTE Partnerships | 3,000 | - | 2,342 | 658 | 658 |
| Disabled Students Programs and Services | 391,117 | - | - | 391,117 | 391,117 |
| Extended Opportunity Programs and Service | 173,648 | - | - | 173,648 | 173,648 |
| Care Program | 43,611 | - | - | 43,611 | 43,611 |
| Financial Aid | 128,172 | - | - | 128,172 | 128,172 |
| General Purpose - One Time | 889 | - | - | 889 | 889 |
| Instructional Equipment/Library Materials | 205,469 | - | 20,461 | 185,008 | 185,008 |
| Restricted Lottery | 58,097 | - | - | 58,097 | 58,097 |
| RN Grant | 114,000 | - | - | 114,000 | 114,000 |
| Student Support & Success Program - Credit | 219,325 | - | - | 219,325 | 219,325 |
| Student Support & Success Program - Non-Credit | 21,107 | - | - | 21,107 | 21,107 |
| Student Support & Success Program - Equity | 200,000 | - | 98,498 | 101,502 | 101,502 |
| Staff Diversity | 16,035 | - | 15,505 | 530 | 530 |
| School Maintenance and Repair | 104,141 | - | 60,096 | 44,045 | 44,045 |
| Total State Programs | <u>\$ 2,293,435</u> | <u>\$ 70,087</u> | <u>\$ 353,265</u> | <u>\$ 2,010,257</u> | <u>\$ 2,010,257</u> |

See the accompanying note to the supplementary information .

Copper Mountain Community College District

Schedule of Workload Measure(s) for State General Apportionment Annual (Actual) Attendance
For the Fiscal Year Ended June 30, 2015

| | Reported Data |
|---|------------------|
| Summer Intersession (Summer 2014) | |
| 1. Noncredit | 6.46 |
| 2. Credit | 80.37 |
| Summer Intersession (Summer 2015 - Prior to July 1, 2015) | |
| 1. Noncredit | - |
| 2. Credit | - |
| Primary Terms (Exclusive of Summer Intersession) | |
| 1. Census Procedure Courses | |
| (a) Weekly Census Contact Hours | 1,012.50 |
| (b) Daily Census Contact Hours | 59.42 |
| 2. Actual Hours of Attendance | |
| (a) Noncredit | 66.34 |
| (b) Credit | 45.94 |
| 3. Alternative Attendance Accounting Procedure Courses | |
| (a) Weekly Census Procedure Courses (Part V)(Credit) | 129.93 |
| (b) Daily Census Procedure Courses (Part V)(Credit) | 22.79 |
| (c) Noncredit Independent Study/Distance Education Courses (Part VII.C) | - |
| Total FTES | 1,423.75 |
| Total FTES | |
| Total Credit FTES | 1,350.95 |
| Total Noncredit FTES | 72.80 |
| Total FTES | 1,423.75 |

| Supplemental Information | FTES |
|--|--------|
| Inservice Training Courses | - |
| Basic Skills Courses and Immigrant Education (Noncredit) | 33.84 |
| Basic Skills Courses and Immigrant Education (Credit) | 301.07 |

See the accompanying note to the supplementary information.

Copper Mountain Community College District

Reconciliation of *Education Code* Section 84362 (50 Percent Law) Calculation
For the Fiscal Year Ended June 30, 2015

| | Object Codes | ESC 84362 A Instructional Salary Cost AC 0100 - and AC 6110 | | | ECS 84362 B Total CEE AC 0100 - 6799 | | |
|---|--------------|---|-----------|--------------|--|--|--------------|
| | | Reported Data | Audit Adj | Revised Data | Reported Data | | Revised Data |
| Instructional Salaries | | | | | | | |
| Contract or Regular | 1100 | \$ 2,980,725 | | \$ 2,980,725 | \$ 2,993,603 | | \$ 2,993,603 |
| Other | 1300 | 1,403,925 | | 1,403,925 | 1,403,964 | | 1,403,964 |
| Total Instructional Salaries | | 4,384,650 | | 4,384,650 | 4,397,567 | | 4,397,567 |
| Non-Instructional Salaries | | | | | | | |
| Contract or Regular | 1200 | | | | 762,628 | | 762,628 |
| Other | 1400 | | | | 4,934 | | 4,934 |
| Total Non-Instructional Salaries | | | | | 767,562 | | 767,562 |
| Total Academic Salaries | | 4,384,650 | | 4,384,650 | 5,165,129 | | 5,165,129 |
| | | | | | | | |
| CLASSIFIED SALARIES | | | | | | | |
| Non-Instructional Salaries | | | | | | | |
| Regular Status | 2100 | | | | 1,871,168 | | 1,871,168 |
| Other | 2300 | | | | 332,207 | | 332,207 |
| Total Non-Instructional Salaries | | | | | 2,203,375 | | 2,203,375 |
| Instructional Aides | | | | | | | |
| Regular Status | 2200 | 19,437 | | 19,437 | 19,437 | | 19,437 |
| Other | 2400 | 56,158 | | 56,158 | 87,348 | | 87,348 |
| Total Instructional Aides | | 75,595 | | 75,595 | 106,785 | | 106,785 |
| Total Classified Salaries | | 75,595 | | 75,595 | 2,310,160 | | 2,310,160 |
| | | | | | | | |
| Employee Benefits | 3000 | 1,062,696 | | 1,062,696 | 2,485,911 | | 2,485,911 |
| Supplies and Materials | 4000 | | | | 90,313 | | 90,313 |
| Other Operating Expenses | 5000 | | | | 1,170,534 | | 1,170,534 |
| Equipment Replacement | 6420 | | | | 58,197 | | 58,197 |
| | | | | | | | |
| Total Expenditures Prior to Exclusions | | 5,522,941 | | 5,522,941 | 11,280,244 | | 11,280,244 |

See the accompanying note to the supplementary information .

Copper Mountain Community College District

Reconciliation of *Education Code* Section 84362 (50 Percent Law) Calculation, Continued
For the Fiscal Year Ended June 30, 2015

| Exclusions | Object Codes | ESC 84362 A Instructional Salary Cost AC 0100 - and AC 6110 | | | ECS 84362 B Total CEE AC 0100 - 6799 | | |
|--|--------------|---|-----------|--------------|--|--|---------------|
| | | Reported Data | Audit Adj | Revised Data | Reported Data | | Revised Data |
| Activities to Exclude | | | | | | | |
| Instructional Staff - | | | | | | | |
| Retirees' Benefits and Retirement Incentives | 5900 | | | | | | |
| Student Health Services Above Amount Collected | 6441 | | | | | | |
| Student Transportation | 6491 | | | | | | |
| Non-Instructional Staff - | | | | | | | |
| Retirees' Benefits and Retirement Incentives | 6740 | | | | | | |
| Objects to Exclude | | | | | | | |
| Rents and Leases | 5060 | | | | 90,565 | | 90,565 |
| Lottery Expenditures | | | | | | | |
| Academic Salaries | 1000 | | | | | | |
| Classified Salaries | 2000 | | | | | | |
| Employee Benefits | 3000 | | | | | | |
| Supplies and Materials | 4000 | | | | | | |
| Software | 4100 | | | | | | |
| Books, Magazines, & Periodicals | 4200 | | | | | | |
| Instructional Supplies & Materials | 4300 | | | | | | |
| | 4400 | | | | | | |
| Non-instructional, Supplies & Materials | | | | | | | |
| Total Supplies and Materials | | | | | | | |
| Other Operating Expenses and Services | 5000 | | | | 172,658 | | 172,658 |
| Capital Outlay | 6000 | | | | | | |
| Library Books | 6300 | | | | | | |
| Equipment | 6400 | | | | | | |
| Equipment - Additional | 6410 | | | | | | |
| Equipment - Replacement | 6420 | | | | | | |
| Total Equipment | | | | | | | |
| Total Capital Outlay | | | | | | | |
| Other Outgo | 7000 | | | | | | |
| Total Exclusions | | | | | 263,223 | | 263,223 |
| Total for ECS 84362, 50% Law | | \$ 5,522,941 | | \$ 5,522,941 | \$ 11,017,021 | | \$ 11,017,021 |
| Percent of CEE (Instructional Salary Cost / Total CEE) | | 50.13% | | 50.13% | 100% | | 100% |
| 50% of Current Expense of Education | | | | | \$ 5,508,511 | | \$ 5,508,511 |

See the accompanying note to the supplementary information.

Copper Mountain Community College District

Reconciliation of Annual Financial and Budget Report (CCFS-311) with Fund Financial Statements
For the Fiscal Year Ended June 30, 2015

| | Financial Aid Trust Fund |
|---|--------------------------------|
| FUND BALANCE | |
| June 30, 2015 Annual Financial and Budget Report (Form CCFS-311) Fund Balances | \$ 12,596 |
| Adjustments and reclassifications increasing/ (decreasing) fund balance: | |
| Accounts receivable | 3,104 |
| Prior period adjustments | <u>(12,596)</u> |
| Net adjustments and reclassifications | <u>(9,492)</u> |
| Audited financial statements fund balance | <u><u>\$ 3,104</u></u> |

See the accompanying note to the supplementary information .

Copper Mountain Community College District

Reconciliation of Education Protection Account Funds (EPA)
For the Fiscal Year Ended June 30, 2015

| Activity Classification | Object Code | Unrestricted | | | |
|----------------------------|---------------|-----------------------|--------------------|----------------|--------------|
| EPA Proceeds: | 8630 | | | | |
| | | | | | \$ 2,042,755 |
| Activity Classification | Activity Code | Salaries and Benefits | Operating Expenses | Capital Outlay | |
| | | (Obj 1000-3000) | (Obj 4000-5000) | (Obj 6000) | Total |
| Instructional Activities | 0100-5900 | 2,042,755 | - | - | 2,042,755 |
| Total Expenditures for EPA | | 2,042,755 | - | - | 2,042,755 |
| Revenues Less Expenditures | | | | | \$ - |

See the accompanying note to the supplementary information .

Copper Mountain Community College District

Reconciliation of Governmental Funds to the Statement of Net Position June 30, 2015

Total Fund Balance and Retained Earnings:

| | | |
|---|---------------|--------------|
| General Funds | \$ 859,500 | |
| Capital Outlay Projects | 32,714 | |
| Debt Service Funds | 1,330,472 | |
| Fiduciary Funds | <u>66,667</u> | |
| Total Fund Balances and Retained Earnings - All District Funds | | \$ 2,289,353 |

Amounts Reported for Governmental Activities in the Statement of Net Position are Different Because:

Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in governmental funds.

| | | |
|-------------------------------|--------------------|------------|
| The cost of capital assets is | 49,285,105 | |
| Accumulated depreciation is | <u>(6,650,778)</u> | |
| Net Capital Assets | | 42,634,327 |

Amounts held in trust on behalf of others (Trust and Agency Funds) (63,563)

In governmental funds, debt issuance costs are recognized as expenditures in the period they are incurred. In the government-wide statements, debt issuance costs are amortized over the life of the debt. 20,551

In governmental funds, unmatured interest on long-term obligations is recognized in the period when it is due. On the government-wide financial statements, unmatured interest on long-term obligations is recognized when it is incurred. (214,549)

In governmental funds, deferred inflows and deferred outflows of resources resulting from defeasance of debt are not recorded. In governmental activities, for advance refundings resulting in defeasance of debt reported in governmental activities, the difference between reacquisition price and the net carrying amount of the retired debt are reported as deferred outflows of resources. 802,643

Deferred outflows and inflows of resources relating to pensions: In governmental funds, deferred outflows and inflows of resources relating to pensions are not reported because they are applicable to future periods. In the statement of net position, deferred outflows and inflows of resources relating to pensions are reported.

| | | |
|---|--------------------|-------------|
| Deferred outflows of resources relating to pensions | 823,611 | |
| Deferred inflows of resources relating to pensions | <u>(2,555,042)</u> | (1,731,431) |

Long-term obligations, including bonds payable, are not due and payable in the current period and, therefore, are not reported as liabilities in the funds.

Long-term obligations at year-end consist of:

| | | |
|---|------------------|-----------------------------|
| Bonds payable | (19,345,261) | |
| Net pension liability | (6,807,314) | |
| Compensated absences (vacations) | (106,572) | |
| Other postemployment benefits (OPEB) | <u>(998,962)</u> | |
| Total Long-Term Obligations | | (27,258,109) |
| Total Net Position - Governmental Activities | | <u><u>\$ 16,479,222</u></u> |

See the accompanying note to the supplementary information .

Copper Mountain Community College District

Note to Supplementary Information
June 30, 2015

PURPOSE OF SCHEDULES

History and Organization – This schedule provides information about the District’s organization, members of the governing board, and administration members.

Schedule of Expenditures of Federal Awards – The accompanying Schedule of Expenditures of Federal Awards includes the Federal grant activity of the District and is presented on the modified accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of the United States Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the financial statements.

Schedule of Expenditures of State Awards – The accompanying Schedule of Expenditures of State Awards includes the State grant activity of the District and is presented on the modified accrual basis of accounting. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the financial statements. The information in this schedule is presented to comply with reporting requirements of the California State Chancellor’s Office.

Schedule of Workload Measures for State General Apportionment Annual (Actual) Attendance – FTES is a measurement of the number of pupils attending classes of the District. The purpose of attendance accounting from a fiscal standpoint is to provide the basis on which apportionments of State funds, including restricted categorical funding, are made to community college districts. This schedule provides information regarding the annual attendance measurements of students throughout the District.

Reconciliation of Education Code Section 84362 (50 percent Law) Calculation – ECS 84362 requires the District to expend a minimum of 50 percent of the unrestricted General Fund monies on salaries of classroom instructors. This is reported annually to the State Chancellor’s Office. This schedule provides a reconciliation of the amount reported to the State Chancellor’s Office and the impact of any audit adjustments and/or corrections noted during the audit.

Reconciliation of Annual Financial and Budget Report (CCFS-311) with Fund Financial Statements – This schedule provides the information necessary to reconcile the fund balance of all funds reported on the Form CCFS-311 to the District’s internal fund financial statements.

Reconciliation of Education Protection Account Funds – This schedule provides the District’s summary of receipts and uses of the monies received through the EPA.

Reconciliation of Governmental Funds to the Statement of Net Position – This schedule provides a reconciliation of the adjustments necessary to bring the District’s internal fund financial statements, prepared on a modified accrual basis, to the entity-wide full accrual basis financial statements required under GASB Statements No. 34 and No. 35 business-type activities reporting model.

OTHER INDEPENDENT AUDITORS' REPORTS

**INDEPENDENT AUDITORS REPORT ON INTERNAL CONTROL OVER
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN
ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

The Board of Trustees
Copper Mountain Community College District
Joshua Tree, California

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the basic financial statements of the business-type activities and the fiduciary activities of Copper Mountain Community College District (the "District"), as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the District's basic financial statements and have issued our report thereon dated December 22, 2015.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the District's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we do not express an opinion on the effectiveness of the District's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the District's financial statements will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of This Report

The purpose of this report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Messner & Hadley, LLP.

Messner & Hadley, LLP
Certified Public Accountants

Victorville, California
December 22, 2015

**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR
EACH MAJOR FEDERAL PROGRAM AND ON INTERNAL CONTROL
OVER COMPLIANCE REQUIRED BY OMB CIRCULAR A-133**

The Board of Trustees
Copper Mountain Community College District
Joshua Tree, California

Report on Compliance for Each Major Federal Program

We have audited Copper Mountain Community College District's (the "District") compliance with the types of compliance requirements described in *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the District's major Federal programs for the year ended June 30, 2015. The District's major Federal programs are identified in the Summary of Auditors' Results section of the accompanying Schedule of Findings and Questioned Costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its Federal programs.

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of the District's major Federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of State, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major Federal program occurred. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing such other procedures as we consider necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major Federal program. However, our audit does not provide a legal determination of the District's compliance.

Opinion on Each Major Federal Program

In our opinion, the District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major Federal programs for the year ended June 30, 2015.

Report on Internal Control Over Compliance

Management of the District is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the District's internal control over compliance with the types of requirements that could have a direct and material effect on each major Federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major Federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a Federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a Federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a Federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. Given these limitations, during our audit, we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Purpose of This Report

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

Messner & Hadley, LLP.

Messner & Hadley, LLP
Certified Public Accountants

Victorville, California
December 22, 2015

INDEPENDENT AUDITORS' REPORT ON STATE COMPLIANCE

The Board of Trustees
Copper Mountain Community College District
Joshua Tree, California

Report on State Compliance

We have audited Copper Mountain Community College District's (the "District") compliance with the state laws and regulations in accordance with Section 400 of the Chancellor's Office's California Community Colleges Contracted District Audit Manual (CDAM) for the year ended June 30, 2015 and issued our report thereon December 22, 2015.

Management's Responsibility

Management is responsible for the District's compliance with the compliance requirements referenced above.

Auditors' Responsibility

Our responsibility is to express an opinion on compliance of each of the District's programs based on our audit of the types of compliance requirements referred to above. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. These standards require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the compliance requirements referred to above could have a material effect on the applicable programs noted below. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing such procedures as we consider necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the District's compliance with those requirements.

Opinion

In our opinion, the District complied, in all material respects, with the compliance requirements referred to above that are applicable to the programs noted below that were audited for the year ended June 30, 2015.

The Board of Trustees
Copper Mountain Community College District

In connection with our audit referred to above, we selected and tested transactions and records to determine the District's compliance with State laws and regulations in accordance with Section 400 of the Chancellor's Office's California Community College Contracted District Audit Manual (CDAM):

| | |
|-------------|---|
| Section 421 | Salaries of Classroom Instructors (50 Percent Law) |
| Section 423 | Apportionment for Instructional Service Agreements/Contract |
| Section 424 | State General Apportionment Funding System |
| Section 425 | Residency Determination for Credit Courses |
| Section 426 | Students Actively Enrolled |
| Section 427 | Concurrent Enrollment of K-12 Students in Community College Credit Courses |
| Section 430 | Scheduled Maintenance Program |
| Section 431 | Gann Limit Calculation |
| Section 435 | Open Enrollment |
| Section 438 | Student Fees – Health Fees and Use of Health Fee Funds |
| Section 439 | Prop 39 Clean Energy Fund |
| Section 440 | Intercession Extension Program |
| Section 474 | Extended Opportunity Programs and Services (EOPS) and Cooperative Agencies Resources for Education (CARE) |
| Section 475 | Disabled Student Programs and Services (DSPS) |
| Section 479 | To Be Arranged (TBA) Hours |
| Section 490 | Proposition 1D State Bond Funded Projects |
| Section 491 | Education Protection Account Funds |

Purpose of This Report

This report is intended solely for the information and use of the District's management, the Board of Trustees, audit committee, and others within the District, the California Community Colleges Chancellor's Office, The California Department of Finance, and the California Department of Education, and is not intended to be and should not be used by anyone other than these specified parties.

Messner & Hadley, LLP.

Messner & Hadley, LLP
Certified Public Accountants

Victorville, California
December 22, 2015

FINDINGS AND RECOMMENDATIONS

Copper Mountain Community College District

Schedule of Findings and Questioned Costs
June 30, 2015

SECTION 1 – SUMMARY OF AUDITORS' RESULTS

FINANCIAL STATEMENTS

| | |
|--|----------------------|
| Type of auditors' report issued: | <u>Unmodified</u> |
| Internal control over financial reporting: | |
| Material weaknesses identified? | <u>No</u> |
| Significant deficiencies identified not considered to be material weaknesses? | <u>None Reported</u> |
| Non-compliance material to financial statements noted? | <u>No</u> |

FEDERAL AWARDS

| | |
|---|----------------------|
| Internal control over major programs: | |
| Material weaknesses identified? | <u>No</u> |
| Significant deficiencies identified not considered to be material weaknesses? | <u>None Reported</u> |
| Type of auditors' report issued on compliance for major programs: | <u>Unmodified</u> |
| Any audit findings disclosed that are required to be reported in accordance with Circular A-133, Section .510(a) | <u>No</u> |
| Identification of major programs: | |

CFDA Numbers

Name of Federal Program of Cluster

84.007, 84.033, 84.063, 84.038, 84.268

Student Financial Aid Cluster

| | |
|--|------------------|
| Dollar threshold used to distinguish between Type A and Type B programs: | <u>\$300,000</u> |
| Auditee qualified as low-risk auditee? | <u>Yes</u> |

STATE AWARDS

| | |
|--|-------------------|
| Internal control over State programs: | |
| Material weaknesses identified? | <u>No</u> |
| Significant deficiencies identified not considered to be material weaknesses? | <u>No</u> |
| Type of auditors' report issued on compliance for State programs: | <u>Unmodified</u> |

Copper Mountain Community College District

Schedule of Findings and Questioned Costs
June 30, 2015

SECTION 2 – FINANCIAL STATEMENT FINDINGS

The results of our tests did not disclose any findings related to the financial statements that are required to be reported under *Government Auditing Standards*.

Copper Mountain Community College District

Schedule of Findings and Questioned Costs
June 30, 2015

SECTION 3 – FEDERAL AWARDS FINDINGS

The results of our tests did not disclose any findings and questioned costs related to the federal awards.

Copper Mountain Community College District

Schedule of Findings and Questioned Costs
June 30, 2015

SECTION 4 – STATE AWARDS FINDINGS

The results of our tests did not disclose any findings and questioned costs related to the state awards.

Copper Mountain Community College District

Status of Prior Year Findings and Questioned Costs
June 30, 2015

FINANCIAL STATEMENT FINDINGS

There were no financial statement findings or questioned costs in 2013-14.

FEDERAL AWARDS FINDINGS

There were no federal awards findings or questioned costs in 2013-14.

STATE AWARDS FINDINGS

2014-1 State General Apportionment Funding System

Finding – The District was incorrectly reporting EMT and Nursing courses under the Daily Student Contact Hour Procedure for courses that were not scheduled regularly with respect to the number of hours during each scheduled day. The District was using the incorrect Census procedure and because of this, the required attributes were not met and reported on the District's 320 Detail

Recommendation – The District needs to review course census type and report using the correct Contact Hours Procedure Census to ensure that the FTES are calculated and reported using the correct attributes.

Current Status – Implemented.